

Stock Market Struggles Higher, Dow Gains 52

Compiled by Our Staff From Dispatches
NEW YORK — The stock market rallied in very heavy trading on Tuesday. The Dow Jones Industrial average rebounded 52.56 points, a day after suffering its second-largest fall.
The Dow closed at 1,846.49, up from 1,793.93 on Monday, a rise of 2.93 percent. It gained rapidly early Tuesday, but then retreated from its high.
The market got a boost from rallies in Tokyo and Hong Kong, but this was counterbalanced later by continued weakness of the dollar after the release of West German trade figures showing a record surplus in September.
The dollar touched a seven-year low against the Deutsche mark before recovering some ground, but closed lower against all major currencies. (Page 17.)
Most major world stock markets advanced on Tuesday. (Page 13.)
The Dow had plunged 156.83 points on Monday. Within 30 minutes of the opening bell Tuesday, the Dow was up 84 points. But the market fell steadily after that as a mood of optimism set off by the overseas rally dissolved.
At the close, the market had recovered almost a third of Monday's losses.
Stocks that gained finished narrowly ahead of losers, leading them by a 9-8 ratio among the 2,041 issues traded on the New York Stock Exchange.
Trading was much less frenzied than last week, with 260.2 million shares changing hands during the day. Last week trading exceeded 600 million shares for two consecutive days.
Dealers attributed this in part to the shortened trading session, which ended two hours earlier than usual.
The exchange instituted the shortened sessions last Friday, and they will continue through the end of this week.
The early closure gives brokerage firms and exchange specialists time to sort out trades and paperwork created by last week's record trading.
The Securities and Exchange Commission said Tuesday: "Substantial progress has been made by the industry in processing securities transactions and the commission expects that progress to continue throughout the week."
Analysts said investors remain focused on the ability of the Reagan administration and congressional leaders, who are meeting in Washington, to find ways of addressing the concerns that are plaguing the financial markets, in particular the huge U.S. budget deficit.
On Monday, President Ronald Reagan had said See MARKETS, Page 10

Hong Kong Rallies With China's Aid

Agence France-Press
HONG KONG — Stock prices rebounded here Tuesday after Monday's disastrous plunge, as China teamed with the Hong Kong government and major banks to pump funds into the futures exchange.
The Hang Seng stock index rose 340.3 points, a gain of 6.9 percent, to close at 2,395.72. It had tumbled to a record 1,126 points or 33 percent on Monday, the first day of trading after exchanges were closed for 20 days.
The Hang Seng index was down

130 points to 2,106 half an hour after the market opened Tuesday after hitting a low of 1,980 about 15 minutes earlier.
Although prices steadied somewhat, they gradually strengthened on the Hong Kong government's announcement of an infusion of 2 billion Hong Kong dollars (\$256 million) into the futures exchange by the local government, mainland China's Bank of China, and two major Hong Kong banks.
David Ford, the deputy to Hong Kong's governor, Sir David Wilson, asserted after a meeting of the

colony's policymaking Executive Council: "Everything that needs to be done to save Hong Kong will be done by the government."
In another move to rescue the situation, Hong Kong banks announced an across-the-board cut of 1 percentage point in interest rates following a one-point cut Monday. Brokers said that the reduction was encouraging.
The spot month of the Hang Seng index futures rebounded later Tuesday by more than 400 points to 2,460 following a sharp recovery See HONG KONG, Page 17



A share dealer on the floor of the International Stock Exchange in London on Tuesday.

Kremlin Shifts, Says Gorbachev Will Visit U.S. To Sign Accord

By Philip Taubman
New York Times Staff Writer
MOSCOW — Mikhail S. Gorbachev is prepared to meet with Ronald Reagan to sign an agreement eliminating intermediate range missiles even if differences over the development of space-based defensive weapons remain unresolved, a senior aide to the Soviet leader said Tuesday.
The position, which marks Moscow's second abrupt change of signals in less than a week, appeared to revive the prospects for a summit meeting before the end of the year.
Mr. Gorbachev unexpectedly insisted in a meeting with the U.S. secretary of state, George P. Shultz, last week that he was not ready to set a date to meet with the American president until differences over long-range missiles and the development of space systems were narrowed.
[Edward A. Shevardnadze, the Soviet foreign minister, is expected to arrive in the United States on Friday discuss prospects for a summit meeting. The Washington Post reported from Washington, U.S. sources said that a formal announcement by the U.S. and Soviet governments was expected Wednesday.]
The Soviet aide, Anatoli F. Dobrynin, a secretary of the Central Committee and key foreign policy adviser, said there were no preconditions or ultimatums for a summit meeting in Washington, or in a third country, other than Mr. Reagan's willingness to discuss in full the question of defensive weapons and deep cuts in long-range missiles.
Mr. Dobrynin reported that Mr. Gorbachev planned to convey this message to Mr. Reagan in a letter that would be delivered to Washington next week by a senior Soviet official. He said the official, whom he declined to identify, would be authorized to explore the issue further with the president. Mr. Dobrynin asked not to be quoted directly but said the substance of his remarks could be reported.
Reading from notes typewritten in English, Mr. Dobrynin said agreement on key provisions of an accord to cut long-range missiles and limit the development of space-based weapons would be required before a visit to Moscow by Mr. Reagan in 1988.
Mr. Dobrynin said Moscow hoped that Mr. Reagan and Mr. Gorbachev could come to agreement on these provisions at their next meeting, making it possible to have a treaty ready for signing during a presidential trip to Moscow next year.
Mr. Shevardnadze met Tuesday with the American ambassador, Jack F. Matlock. The meeting appeared to be connected with the developments described by Mr. Dobrynin.
A Foreign Ministry spokesman, Boris D. Pyadyayev, hinting at the developments, said that the emerging agreement on eliminating intermediate-range missiles "will be prepared in the near future for signature at summit level."
"A brief time out has been taken now to think over the new ideas put forward by the Soviet leadership and to work out the issues which remain unresolved," he said.
Both Mr. Shultz and Mr. Shevardnadze said at separate news conferences in Moscow on Friday that the major obstacle to a summit meeting in Washington was the conflict over restricting the testing and development of space weapons.
At the conclusion of a visit to See ARMS, Page 8

Europe Vows Wider Role In Security

By Edward Cody
Washington Post Staff Writer
THE HAGUE — Defense and foreign ministers of the major European allies resolved Tuesday to speak with a stronger and more unified voice in military and disarmament decisions affecting Europe.
The pledge, issued in a "Platform on European Security Interests," came in response to unease in Europe over the extent to which U.S. and Soviet leaders retain power to make decisions vital to European security over the heads of European governments.
This sentiment has increased since the U.S.-Soviet summit conference at Reykjavik, Iceland, in October 1986 and during the nearly completed negotiations to eliminate medium- and short-range nuclear missiles from Europe.
The ministers, from the seven nations of the Western European Union, issued the new security document at the end of two days of talks here. Foreign Minister Hans van den Broek of the Netherlands said the union's security platform was designed as "a kind of European identity card" in defense matters and arms control negotiations.
"We intend therefore to develop a more cohesive European defense identity which will translate more effectively the obligations of solidarity to which we are committed," the platform said.
Prime Minister Jacques Chirac of France initiated the European declaration in a speech to the union assembly in Paris in December. His suggestion reflected French concerns over President Ronald Reagan's willingness to bargain alone at Reykjavik and over the idea that revitalizing the mostly dormant union could provide a useful and strictly European forum for defense matters.
Diplomatic sources pointed out that France, as a nuclear power, would have an influential voice in such a forum because the United States is absent. The Western European Union, which was set up in 1955, comprises Belgium, Britain, France, West Germany, Italy, Luxembourg and the Netherlands.
In the North Atlantic Treaty Organization, the main forum for North American and European defense talks, Washington is the dominant power. France, although a member of the North Atlantic alli-

Klosk

China Promises Scientists More

BEIJING (WP) — A leading Chinese official on Tuesday promised new measures to improve the working and living conditions of Chinese scientists and other intellectuals needed to modernize China.
Song Jian, the head of the Chinese Science and Technology Commission, also said that who is one of the country's best known dissidents, was free to do research and travel abroad. However, he stopped short of saying that the Communist Party would tolerate political views such as those of Mr. Fang, who advocates democratic reforms.

Bombing Conviction

LONDON (Reuters) — A court sentenced an electrician from Northern Ireland to 25 years in prison on Tuesday for making a bomb that killed four soldiers and seven others in Hyde Park in 1982. Gilbert McNamee was convicted of constructing the remote-controlled (radio-controlled) bomb packed with nails.



Residents of a white Pretoria suburb are complaining about what they say are noisy parties at the home of Edward Perkins, the U.S. ambassador. Page 7.

GENERAL NEWS

■ Turkey is concerned that missile cuts in Europe may leave its military vulnerable. Page 2.
■ An uncertain peace has settled on northern Sri Lanka after two weeks of fighting. Page 7.
■ Vietnamese artists tell the party's leader what they think of Communist policies. Page 7.

BUSINESS/FINANCE

■ West Germany's monthly trade surplus rose sharply in September. Page 11.
■ General Motors' net profit more than doubled in the third quarter. Page 11.

Dow close: UP 52.56
Dollars in New York:
\$1.74 148.85 5.885

Decision Awaited on BP Sale

Reuters
LONDON — The chancellor of the Exchequer, Nigel Lawson, said Tuesday that a decision was expected Thursday on whether to halt the £7.2 billion (\$12 billion) sale of stock in British Petroleum Co.
Bankers and brokers are pressing the government to withdraw the offer because of the chaos on stock markets. BP shares fell to 260 pence Tuesday in unofficial trading, below the 330 pence price set for the offer, which closes on Wednesday. Official trading opens Friday in London. (Market turmoil also threatened the English Channel tunnel project. Page 14.)
The lead underwriter, N.M. Rothschild & Sons Ltd, and the Treasury began talks Monday on a

request by underwriters that the sale be halted. The underwriters stand to lose hundreds of millions of pounds if the sale goes ahead and they have to take up unwanted shares.
Mr. Lawson said Rothschild and the Treasury would ask for advice from the Bank of England if they could not agree on a reply to the request. He said he hoped to finish the consultations by Thursday.
Mr. Lawson had said last week that the sale would go ahead.
Some analysts believe canceling or postponing the issue would embarrass Prime Minister Margaret Thatcher, who has made the sale of state industries to private investors the centerpiece of her economic policy.

U.S. Talks Opening on Budget Cuts

Compiled by Our Staff From Dispatches
WASHINGTON — A bipartisan group of congressional leaders and top Reagan aides began their first working session on Tuesday afternoon to try to devise a new budget plan to cut the federal deficit and build confidence in the American economy.
President Ronald Reagan, who has previously described the economy as healthy, said Tuesday that the talks "come at a critical moment" and noted "potential dangers on the economic horizon."
Both sides, in comments before the talks began, pledged to avoid partisan politics.
They also affirmed that their primary goal was to develop a plan to reduce the deficit by \$23 billion in the 1988 fiscal year, which began Oct. 1. If no action is taken, estimates show the deficit will reach \$163 billion to \$179 billion.
The House speaker, Jim Wright of Texas, described the \$23 billion as a "rock-bottom minimum."
The Senate Republican leader, Bob Dole of Kansas, said, "I just hope the action is bold enough and soon enough to reassure the markets and the American people."
"I think we know we have to do something," he said, "and some of us are going to have to bite the bullet on long-held positions."
The House Republican leader, Robert H. Michel of Illinois, cautioned that expecting the negotiations to produce a much deeper cut in the deficit than the \$23 billion called for this year under the Gramm-Rudman balanced-budget law might be unrealistic.
"When I analyze some of the votes in the Congress," he said, "I find there isn't all that much inclination to go much deeper than that."
In a statement issued at the White House, Mr. Reagan noted a variety of positive economic indicators but said the stock market plunge "has alerted us of potential dangers on the economic horizon."
Mr. Reagan had insisted for months that the deficit cuts could be accomplished without new taxes, but he said last week that he was willing for negotiators to at least consider the prospect.

G-7 Meeting Is Said to Hinge on U.S. Action

By Carl Gewirtz
International Herald Tribune

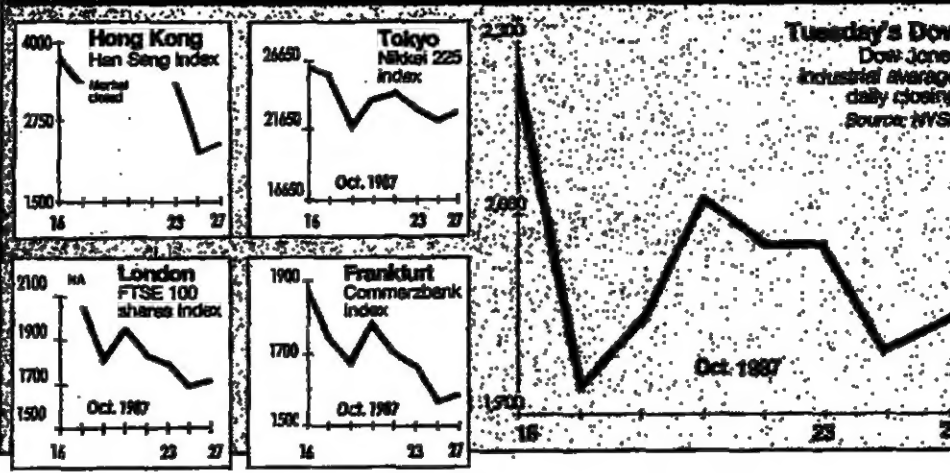
PARIS — A meeting of the Group of Seven industrial nations, although rumored to be imminent, will not take place until the Reagan administration and Congress have agreed on a credible package to cut the U.S. budget deficit, a senior European official said Tuesday.
"The ball is really in their court," the official said Tuesday. "They have got to re-establish their leadership in world economic affairs."
Rumors of a meeting of the G-7, comprising the United States, Japan, West Germany, Britain, France, Italy and Canada, have rolled foreign exchange markets in recent days. Traders have sold the dollar lower, in part, on the expectation that such a meeting would endorse new, lower ranges for the currency.

After recovering in early trading from Monday's sharp sell-off, the dollar fell again on Tuesday. In New York, it fell below 1.77 Deutsche marks, lately seen as an important threshold, to a seven-year low of 1.7575 DM.
The European official stressed Tuesday that any meeting of the Group of Seven was unlikely without significant action on the U.S. trade and budget deficits, which should include "a large cut in the budget deficit, probably larger than the \$23 billion" originally required under the Gramm-Rudman-Hollings balanced budget law.
Only then, the official said, would it be worthwhile to hold a meeting of the group. "Once the United States is in a stronger position, it can demand action on other problems," the official said.
These include the need for "fast-

er rates of growth in West Germany and Japan and a greater contribution from both to alleviate the Third World debt crisis," he said.
"There are no miracles" to be expected from a meeting of the Group of Seven, he cautioned. At the same time, he added, to take no policy action in response to the current upset in financial markets "is a recipe for disaster."
Officials make clear, however, that there are conflicting opinions on whether any early meeting of the Group of Seven would necessarily include an agreement to lower the value of the dollar from the levels set by ministers in February.
At that meeting, governments agreed in the so-called Louvre accord to stabilize exchange rates "around current levels."
At the same time, the governments promised to undertake domestic policy measures that would create "underlying economic fun-

damentals" that were consistent with exchange-rate stability.
There is hard feeling on all sides that no government has fully lived up to its promises on fundamental policy adjustments. The United States, for example, promised to reduce its fiscal 1988 deficit to 2.3 percent of gross national product, but Washington's latest calculations put the figure at 2.6 percent.
Meanwhile, it has been widely assumed by foreign exchange dealers that the agreement set a trading band for the dollar of 140-150 yen and 1.78 to 1.88 Deutsche marks. Since Friday, the dollar has traded below 1.78 DM.
But officials insist that the Louvre accord did not set such rigid target bands for the dollar. "There's a lot of flexibility" built into the agreement, said one official, who added that the dollar's current value against the mark "is

World Markets Bounce Back



Koreans Vote to Back Direct President Vote

By Susan Chira
New York Times Staff Writer

SEOUL — In the first popular test of the sweeping democratic changes that have transformed this nation's political landscape, South Koreans went to the polls Tuesday and overwhelmingly approved a new constitution that is to clear the way for the first direct presidential election here in 16 years.
At the same time Kim Dae Jung, the opposition leader, was ready Wednesday morning to announce what he has been hinting for weeks — that he will run for president in addition to his long-time opposition rival, Kim Young Sam.
Although votes on the new constitution are still being tallied, early returns indicated approval by a wide margin.
[Election officials said early Wednesday that with 54 percent of the total ballots counted, 94 percent of voters were approving the constitution. The Associated Press reported from Seoul. A simple majority was needed to endorse the new constitution.]
The adoption of the constitution would move the nation that much closer toward democracy, capping

a time of astonishing reversals in South Korean politics. In June, the government of President Chun Doo Hwan, facing escalating street protests, capitulated to opposition demands and agreed to hold direct presidential elections, expected in mid-December.
Political change gained further momentum when, in a rare example of compromise, both the ruling and the opposition parties agreed on a draft of the new constitution. Most of the eight previous revisions were intended to benefit those in power, and were rubber-stamped by the legislature and the electorate.
But the exhilaration over these breakthroughs have been muted by the determination of both Kim Dae Jung and Kim Young Sam to run in the presidential race, thus splitting the opposition vote and narrowing — although not eliminating — the chances that the opposition will win the election.
Despite considerable pressure on Kim Dae Jung not to run, he remains convinced he has a mandate to do so and that he can win.
A spate of attacks on Roh Tae Woo, the ruling party candidate for

See KOREA, Page 8



In Seoul, a masked protester hurled a gasoline bomb at riot police Tuesday.

For 6 Republican Contenders, Time to Accent the Negative

By E.J. Dionne Jr.

New York Times Service

WASHINGTON—Republican presidential candidates head into their first debate Wednesday sharply divided on domestic and foreign policy and prepared to highlight rather than camouflage the fault lines in their party.

The timing of the debate could hardly be worse for the Republican Party, occurring as it does after a week of bad economic news that many politicians take to be a sign of shortcomings of President Ronald Reagan's economic policies.

But for individual Republican candidates trailing in the polls — notably Representative Jack F. Kemp, former Governor Pierre S. du Pont 4th of Delaware and former Secretary of State Alexander M. Haig Jr. — the debate cannot be too soon. It is their opportunity to be seen as prominently as Vice President George Bush and the Senate Republican leader, Bob Dole, who are running far ahead of their competitors.

Thus, Mr. Kemp, Mr. du Pont and Mr. Haig are the candidates most likely to take bold risks, to raise hard issues and to go on the attack during the debate on the "Firing Line" television program of the author and columnist William F. Buckley Jr.

All three are expected to criticize the proposed agreement with the Soviet Union on intermediate-

range missiles that the Reagan administration is pursuing. Mr. Robertson, the former television evangelist, also is expected to criticize the treaty.

The candidate with the most to lose from the encounter is Mr. Bush. Not only does he have the most support, but he also is trying to stake out strong opposition to new taxes at the very moment Mr. Reagan may be on the verge of negotiating some tax increases with Congress.

Mr. Bush's aides have made it clear that if Mr. Reagan agreed to increase taxes, Mr. Bush would go along. Asked whether this seemed a contradictory position, a top aide to Mr. Bush replied, "It'd look funnier if he didn't support the president."

Aides to Mr. Kemp, one of the loudest voices against a tax increase, said he would be in on the tax issue. Mr. Kemp's press secretary, John Buckley, described Mr. Bush's position on taxes as fancy and cute, and not particularly easy to defend.

The aide said Mr. Kemp would extend the attack to Mr. Dole. Mr. Dole has suggested a willingness to compromise with Democrats on the budget deficit, which would mean accepting higher taxes. But a consultant to Mr. Dole's campaign, David Keene, said the senator did not intend to emerge from the debate as an advocate of taxes, but rather intended to emphasize cuts in spending.

Mr. Bush understands the seriousness of the encounter and has cleared a large part of his schedule to prepare for the debate. "Generally, these debates are decided by a gaffe or by a funny or cute type of statement," said Mr. Bush's campaign manager, Lee Atwater. "I don't think he needs a knockout punch."

Mr. Keene said Mr. Dole would hope to appear "clearly in charge of the facts and in control and under control," something he said Mr. Bush might not manage as easily.

But Mr. Dole also is walking tightropes on issues. In addition to trying to avoid responsibility for tax increases that he may have to embrace as the Republican Senate leader, Mr. Dole has carefully avoided taking a firm position on the treaty with the Soviet Union. Mr. Keene sought to explain that by saying there still was no draft of the pact.

"It is less than completely responsible," Mr. Keene said, "to embrace or reject something that no one has seen." But Republican critics of the treaty, as well as Mr. Bush, who supports it, are likely to press Mr. Dole for a clearer stance.

Mr. du Pont and Mr. Haig could produce sparks. Unlike his Republican foes, Mr. Haig has been willing to criticize Mr. Reagan. Mr. Haig's campaign director, Vincent Breglio, said the former secretary of state, perceived to be trailing in the race, understood his

need to "say some things that grab the attention of the media and the audience."

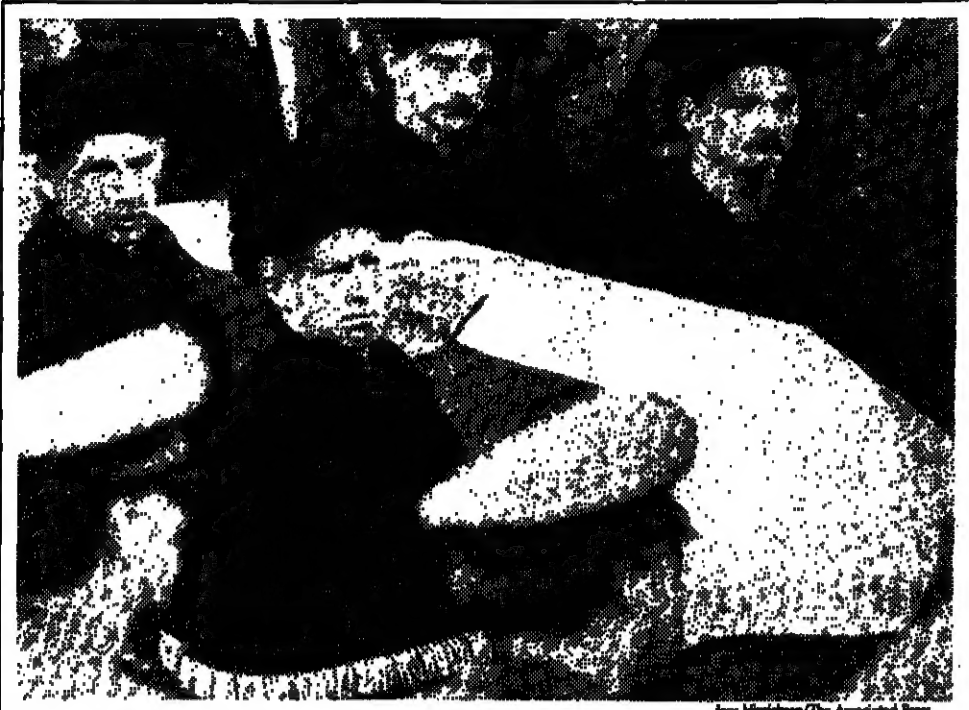
As for Mr. du Pont, he was the first Republican to criticize Mr. Bush in sharp terms, declaring in May at a Republican meeting in Iowa that Mr. Bush had to come out of the cocoon he had constructed around himself and face his adversaries.

Criticism from Mr. du Pont, Mr. Kemp and others was partly responsible for Mr. Bush's decision to agree to the debate. The vice president had hoped to avoid helping give visibility to his adversaries so early in the campaign.

Mr. du Pont's deputy campaign manager, Bob Perkins, said his candidate also would take on Mr. Dole for the Kansas support of farm subsidies, which Mr. du Pont opposes.

For Mr. Robertson, whose support is largely confined to evangelical Christians and who has never held public office, the debate is especially valuable for casting him — if solely through its format — as an equal to a sitting vice president and the Senate Republican leader.

Several Republicans said Mr. Robertson's tasks were somewhat contradictory: to try to reassure the mass of Republican voters, many of whom are uncomfortable with the idea of a former preacher running for president, while energizing his evangelical base by taking strong stands on moral issues.



FORMER WEST GERMAN OFFICIAL BURIED — Pall-bearers carrying the coffin of Uwe Barschel, the former premier of Schleswig-Holstein, on Tuesday in Lübeck, West Germany. The official was found dead in a Geneva hotel room on Oct. 11. An autopsy showed that five kinds of tranquilizers and sleeping pills were in his blood and stomach, but the speculation that he committed suicide has not been substantiated.

Missile Cuts in Europe Worry Turks

By Alan Cowell

New York Times Service

ISTANBUL — Turkey has begun to signal growing concern that negotiations on nuclear missile reductions in Europe will leave its

conventional forces particularly exposed to superior Soviet units.

The argument is cited in Turkey's list of reasons for seeking greater United States military assistance in order to modernize its 600,000-member army, the largest in the Western alliance outside the United States.

Turkey casts its armed forces as guardians of a remote and friendless flank, defenders of the alliance's longest border with the Soviet Union.

The argument favoring a conventional balance to match nuclear reductions, therefore, is seen as particularly persuasive in Ankara, the nation's capital.

Turkey's concerns have mounted with forecasts that discussions between the United States and the Soviet Union on eliminating medium-range nuclear missiles in Europe will, if successful, lead to similar negotiations in long-range missiles. That, in the Turkish view, would reduce nuclear protection against Soviet conventional forces.

Defense Minister Zeki Yavuzturk said in a published interview that Turkey had always supported the total elimination of nuclear weapons.

But he added: "We emphasize

the conventional balance. To sign an agreement on nuclear missiles before reaching a balance on conventional forces is risky."

A Western diplomat in Ankara said, "Because of their geographical position and their history of conflict with the Soviet Union, the Turks have always had a heightened sense of conventional vulnerability."

This year, the United States is committed to military aid worth \$590 million, and the Reagan administration has asked Congress to approve \$913.5 million for next year. Approval of the request seems unlikely.

Congress has already signaled plans to link American military aid to Turkey to its continued military presence in northern Cyprus.

Ankara argues that the security of the Turkish Cypriot minority there will not be guaranteed if the force is withdrawn.

Earlier this year, Congress refused a Reagan administration request for \$125 million more in military aid to Turkey. Such rejections, and the linkage of U.S. aid to Turkey's to its presence in Cyprus, have ruffled relations between Washington and Ankara, a Western diplomat said.

Rights Group Accuses Syria Of Torturing Political Foes

Reuters

LONDON — Amnesty International said Tuesday that Syrian security forces had committed human rights abuses against thousands of political prisoners

suspected of opposing President Hafez al-Assad.

A 44-page report by the London-based human rights organization described at least 35 methods of torture it said had been used in Syria in the last four years.

At least 10 people were reported to have died under torture. The organization said victims included Palestinian refugees and Lebanese seized in Syrian-controlled areas of Lebanon and taken to Syria.

The report said students, lawyers and soldiers thought to oppose the government were among those who had been whipped with electric cables or slashed with razors. It said some were beaten as they hung from rotating ceiling fans.

Typhoon Death Toll Rises

United Press International

MANILA — Rescuers have recovered the bodies of 34 fishermen buried in a landslide in northern Luzon. This brought to nearly 90 the combined death toll in the Philippines and Taiwan from the typhoon designated Lynn. The Red Cross said Tuesday.

WORLD BRIEFS

Bonn Rules Out Prosecution of Nazi

LUDWIGSBURG, West Germany (AP) — A U.S. national of German origin, expelled from the United States for lying about his Nazi past, cannot be prosecuted under West German law because he is not accused of murder, a prosecutor said Tuesday.

Reinhold Kulle, who was an SS Brigade member at the Gross Rosen camp, where about 50,000 prisoners died, had been investigated by West German authorities, said a war crimes office prosecutor, Mr. Kulle was deported from the United States on Monday.

The prosecutor, Alfred Streim, said that Mr. Kulle had not been implicated in any murders, but added that inquiries could be reopened if any evidence was found specifically linking him with killings.

2 Americans Killed in Afghanistan

ISLAMABAD, Pakistan (AP) — Two Americans making a documentary film in Afghanistan were killed and a guerrilla guide was wounded when government soldiers ambushed them west of Kabul, U.S. and guerrilla spokesmen said Tuesday.

U.S. diplomats in Pakistan identified the Americans as Lee Shapiro, director of Shapiro Media Productions of North Bergen, New Jersey, and James Lindelof, a sound and camera man. Diplomats and guerrillas said a third American was believed to have been with them, but his fate was not known.

Qarib Rehman Saeed, a rebel spokesman, said fighters from the Hezb-i-Islami group had led the film team for five months through Afghanistan. He said a radio report indicated that the ambush had occurred near the town of Paghman, west of Kabul, around Oct. 11.

Malaysia Reportedly Detains Chinese

KUALA LUMPUR, Malaysia (Reuters) — Amid rising racial tensions in Malaysia, the police on Tuesday arrested at least six Chinese politicians and academics under a law allowing detention without trial, political sources said.

Police officials confirmed that there had been arrests under the Internal Security Act but declined to give details or identify the people involved.

Tension between ethnic Malays and Chinese has increased in recent weeks, partly over a dispute about Chinese-language education.

Dissident Ex-KGB Agent Emigrates

VIENNA (AP) — Vladimir Titov, a former KGB officer turned dissident, arrived in Vienna on Tuesday from Moscow after what he says was his forced emigration.

Mr. Titov, 49, who plans to settle in Frankfurt, said in Moscow last week that he had resigned from the KGB in 1961 after five years with the secret police and intelligence agency. He was sent to a mental hospital after asserting in 1962 that the Soviet authorities were using forced labor on major construction sites, notably on the trans-Siberian gas pipeline.

Tass said he had never worked for the KGB but had served in the navy from July to December 1962 and that he was emigrating of his own free will.



Vladimir Titov

For the Record

Lord Havers, the former attorney general, has resigned as Britain's lord chancellor, the head of the country's judiciary. The 64-year-old cabinet minister stepped down Monday, health reasons were cited. He will be succeeded by Lord Mackay of Clashfern, a former lord advocate of Scotland, the office of Prime Minister Margaret Thatcher said. (AP)

Nancy Reagan, who is recovering from breast cancer surgery, flew to Phoenix, Arizona, on Tuesday with President Ronald Reagan to visit his final funeral arrangements for her mother, Edith Davis, who died Monday at the age of 91. (AP)

Michel Droit, a leading member of France's National Commission on Communications and Freedoms, was charged Tuesday with abusing his position, following complaints by a radio station about the way French press were classified, a legal source in Paris said. (AP)

TRAVEL UPDATE

French Ports Blocked for a 2d Day

LILLE, France (Reuters) — French fishermen protesting their exclusion from some fishing grounds near the British coast cut off all traffic on Tuesday between Britain and the French Channel ports of Boulogne and Calais for the second day, maritime officials said.

The fishermen stretched a barricade of several dozen boats across the entrance to the port of Boulogne at 9 A.M., and 15 other boats headed for Calais, where the port was shut off near midday. They were protesting an Oct. 1 extension of British territorial waters from three miles (five kilometers) to 12 miles.

Meanwhile, shipping was slowed in Le Havre, Dieppe and Rouen on Tuesday as dockworkers struck for 24 hours in support of a three-week stoppage by dockworkers in Marseille over job cuts and working conditions, officials of the Communist-led General Confederation of Labor said.

A Soviet Tupolev Tu-154 aircraft with 162 passengers aboard made an emergency landing at Krasnoyarsk, Siberia, after the pilot was unable to retract the nosewheel, Pravda reported Tuesday. There was no report of injuries in the incident Sunday. (AP)

The U.S. State Department has asked China to check on a report from the U.S. Embassy in Nepal that some tourists are trapped in buses on a snowbound highway between Kathmandu and Thangri, Tibet. According to the report, six persons from the buses hiked about 120 miles (195 kilometers) to Kathmandu to seek help. (AP)

Correction

Because of an editing error, an article from Singapore in the International Herald Tribune on Tuesday referred to "the Vietnamese-controlled government" of Cambodia. As written, the reference was to "the Vietnamese-supported government."

No Ripples Seen in Ban By U.S. on Iran Imports

LONDON — Oil traders and analysts say they expect the U.S. ban on imports of Iranian oil to have little impact either on oil markets or on Iran's economy.

If Japan and others join the ban, it could hurt the Iranian economy. But government sources in various countries said a ban by Japan seemed unlikely.

Mehdi Vaziri, an oil analyst at the London stockbrokerage firm of Kleinwort Greaveson, said, "I don't think there will be much impact." "Non-U.S. markets can absorb the additional oil," he said, and "presumably some will continue to leak into the U.S."

The U.S. ban, announced Monday by President Ronald Reagan, will have "absolutely no effect at all on prices," a European oil trader said Tuesday. Another said: "No effect has yet been felt, though some slight downward pressure on European prices might develop."

Mr. Reagan imposed a broad trade embargo on Iran, banning imports of oil and the export of products with a potential military application. The largely symbolic move was made in retaliation for

what he called an "aggressive guard for the most fundamental norms of international conduct."

An Iranian oil executive who asked not to be identified said the ban would shift Iranian oil to other markets. It "would create a vacuum in the U.S. market, which would have to be filled by crude from other producers," the executive said, adding: "It is natural for Iranian crude to go to the markets of these new producers."

He said crude oil from his country was not sold directly to the U.S. but made its way there through the world market.

"Bans only change the final destination of the oil; they lead to a displacement in the markets," he added.

Japan is normally Iran's biggest customer, so an import ban by Tokyo would have a bigger impact both on Iran and on prices, particularly in Europe, analysts said.

Officials quoted Foreign Minister Tadashi Kuranari as saying that Japan will take a cautious attitude and work out its own policy after hearing explanations from Washington, which so far has not asked other nations to follow its lead.

Post-Bork, White House Is Searching

By Ruth Marcus

and Helen Dewar

Washington Post Service

WASHINGTON — The White House chief of staff, Howard H. Baker Jr., has consulted key Senate Republicans about filling the Supreme Court vacancy as the Reagan administration tried to narrow the list of possible candidates in anticipation of a nomination this week.

Administration officials said Anthony M. Kennedy, a judge on the 9th U.S. Circuit Court of Appeals in San Diego, and Ralph K. Winter Jr. of the 2d Circuit in New Haven were leading candidates, along with Judges Laurence H. Silberman and Douglas Ginsburg of the District of Columbia Circuit Court and J. Clifford Wallace, Judge Kennedy's colleague on the 9th Circuit Court.

Mr. Baker met for about 30 minutes on Monday with the Senate minority leader, Bob Dole of Kansas; Senator James A. McClure of Idaho, chairman of the Republican Steering Committee, and three Re-

publican members of the Judiciary Committee: Strom Thurmond of South Carolina, Orrin G. Hatch of Utah and Alan K. Simpson of Wyoming.

At the meeting, a list of 13 candidates was reviewed. Mr. Thurmond said afterward that there had been objections to five or six people on the list, including concern about whether they could be confirmed by the Senate.

The Supreme Court vacancy was created in June by the retirement of Justice Lewis F. Powell Jr. The Senate, in a 58-42 vote on Friday, rejected Judge Robert H. Bork of the U.S. Court of Appeals for the District of Columbia. Mr. Reagan's original choice, after a confirmation battle that lasted three and a half months.

Officials said the administration was seeking a candidate who generally shared Judge Bork's philosophy of judicial restraint but would not provoke a second fierce confirmation fight.

Judge Kennedy, 51, has been a judge on the 9th U.S. Circuit Court of Appeals since 1976. He is known to the Californians who are close advisers to the president, including Attorney General Edwin Meese 3d, and helped Mr. Reagan, who was then governor, draft a tax reduction proposal, Proposition 13, that was defeated in 1973.

On the bench, Judge Kennedy is best known for his decision, later upheld by the Supreme Court, that the legislative veto is unconstitutional. He also overturned a lower-court ruling that female workers in Washington state were entitled to

be paid based on the "comparable worth" of their positions.

Judge Winter, 52, who is viewed as more conservative than Judge Kennedy, is a graduate of Yale Law School and a close friend of Judge Bork.

In his confirmation hearings after being named to the court in 1982, Judge Winter criticized the attitude that, when there is no legislation dealing directly with a problem, "and there is nothing specifically in the Constitution about it, courts are free to decide what the Constitution ought to say about that."

Some of Judge Winter's writings on civil rights and equal protection would likely raise questions from civil rights groups.

Judge Silberman, 52, is a former deputy attorney general, undersecretary of labor and ambassador to Yugoslavia. He has a blunt-spoken, no-nonsense style that could raise concerns about his judicial temperament.

Judge Ginsburg, 41, is a former Harvard Law School professor who headed the Justice Department's Antitrust Division before being named to the appeals court in October 1986.

Judge Wallace, 58, who has been mentioned often as a possible Supreme Court candidate, was named to the federal trial court by President Richard M. Nixon in 1970 and elevated to the appeals court two years later. He is a Mormon, and some of his statements about church-state issues could generate controversy.

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Whitling: Son There's No Po

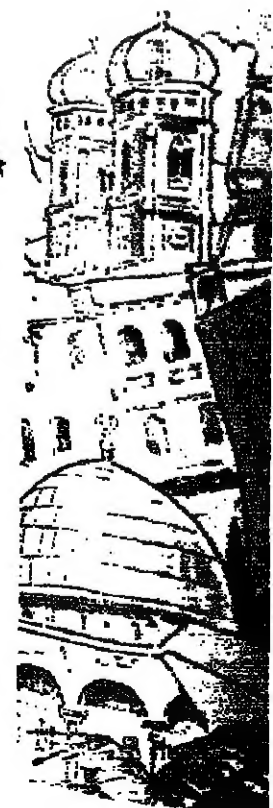
LEICESTER, England (AP) — A son of a poet, Whitling, is the first of a new breed of poets. He is a poet who writes about the world as it is, not as it should be. He is a poet who writes about the world as it is, not as it should be. He is a poet who writes about the world as it is, not as it should be.

Short Takes

Photo: Schaff, the five activists, and her husband, who had been arrested in the 1960s. She is a poet who writes about the world as it is, not as it should be. He is a poet who writes about the world as it is, not as it should be. He is a poet who writes about the world as it is, not as it should be.

The U.N. Labor Dis has assessed a record 5 million in fines against free trade. A half-built airport in Bangkok, Thailand, is a waste of money. A woman in a red dress is a sight to be seen. A man in a blue suit is a sight to be seen. A woman in a red dress is a sight to be seen. A man in a blue suit is a sight to be seen.

AN ALL SIN



AMERICAN TOPICS

Whitling: Some Say There's No Point to It

Ledie, Arkansas, population 901, in the heart of the Ozark Mountains, is the national capital of whitling, according to The New York Times. Not woodcarving, just whitling, which usually means chatting with one's neighbors in front of the general store while using a sharp knife to turn a piece of soft wood into shavings.

Some of the hillfolks shrug off whitling as "the short end of nothing," trimmed down to a point. But Benson Fox, 73, Ledie's principal historian, says it can lead to creative woodcarving, and besides, "It's a mind and muscle relaxer. And it's a thought stimulator. It brings people together, and while they are sitting there communicating they are also sometimes swapping knives and trading dogs."

Short Takes

Phyllis Schlafly, the conservative activist, said her Eagle Forum had conferred its National Fulltime Homemaker Award on Betty North, the wife of Lieutenant Colonel Oliver L. North, the former National Security Council aide. Mrs. North sat smiling behind her husband during the congressional hearings into the Iran-contra affair. The award goes to a full-time housewife who is "raising her family on a single income earned by her husband." Mrs. Schlafly, 63, mother of six grown children, said, "The media massively discriminate against full-time motherhood by propagating and repeating the lie that traditional families are obsolete and demanding that the taxpayers subsidize child care for two-earner families."

The U.S. Labor Department has assessed a record \$5.11 million in fines against five contractors for a half-built apartment building in Bridgeport, Connecticut, whose collapse killed 28 workers in April. A small bracket that bent under heavy pressure set the disaster in motion, investigators said. "We found a serious disregard for basic, fundamental engineering practices," said Assistant Labor Secretary John A. Pendergrass. Problems with the brackets had occurred twice before, he said, but the contractors failed to act. At least one of them plans to appeal.

A college trustees' group and a coalition of foundations have cre-



OF DRUGS AND NEGLECT — Lou Ann Powell, a 26-year-old drug addict, is led from a Chicago police station after she identified her 22-month-old son, Anthony, whom she says she gave to a drug dealer for \$50 worth of cocaine. She has been charged with abandonment and faces up to three years in prison if convicted.

ated a center to help 821,000 nonprofit organizations manage themselves. The National Center for Nonprofit Boards is being formed with \$1.2 million from foundations, including a grant of \$885,000 from the W.K. Kellogg Foundation. Nonprofit organizations in 1984 spent \$210 billion and had 6.5 million paid employees. The center is a project of the Association of Governing Boards of Universities & Colleges and the Independent Sector, a coalition of foundations and voluntary associations.

Shorter Takes: Three 18th century British cannons have been recovered from the bottom of the Detroit River and are expected to go on public display. The guns were in good condition because they were in fresh water, said Barry Dressel of the Detroit Historical Museum. Among the flowers sent to Nancy Reagan after her mastectomy on Oct. 17 was a wicker basket of irises, carnations and other blossoms from Raisa Gorbachev, the wife of the Soviet leader, Mikhail S. Gorbachev.

Only five of the 105 investment newsletters followed by Hul-

Reagan's Drug War Is Stymied, Critics Say

By Peter Kerr
New York Times Service

WASHINGTON — One year after President Ronald Reagan declared a "national crusade" against illegal drugs, critics say the effort has been stymied by poor coordination and the failure of the Reagan administration to follow through.

"There is no major drug crusade," said Senator Alfonse M. D'Amato, Republican of New York, one of several congressional critics. "It is a sham."

Administration officials point to achievements, including a sharp increase in manpower at federal law enforcement agencies and increases in arrests and drug seizures. For example, the Customs Service seized more than \$6,000 pounds (39,000 kilograms) of cocaine in the past year, up 60 percent from the year before.

And administration spokesmen say the president and his wife, Nancy, have helped shift public attitudes through public appearances and by encouraging employers and schools to fight drug abuse.

But in recent interviews, former administration officials, members of Congress, drug treatment and education specialists and academic experts pointed to examples of poor planning and coordination that they said had undermined the

anti-drug effort. Among them are the following:

• Less than three months after Mr. Reagan signed a bill authorizing \$1.7 billion in new money for anti-drug programs in 1987, the White House proposed cutting back money for treatment, education and local law enforcement for 1988.

• Although the campaign sent a new wave of offenders into the federal prisons, no one had prepared for the resulting overcrowding, which threatens to interfere with enforcement activities. The federal system, designed to hold 28,000 prisoners, is already at 160 percent of capacity and expects 72,000 prisoners by 1992. Only now is the administration considering doubling prison capacity, which could take years.

• A year after the president set a goal of increasing the spaces in drug treatment programs, experts say the programs still can only treat a small fraction of the half million intravenous drug users in the United States. In some cities addicts must wait up to a year to get into programs.

The Justice Department never established 24 task forces to fight the use of "crack," a highly addictive form of cocaine, after their creation was announced last fall by Attorney General Edwin Meese Jr.

• Congressional studies contend that the National Drug Policy Board, the body established to coordinate federal drug efforts, has not been able to resolve interagency conflicts that have limited the effectiveness of some programs. The Coast Guard and the Customs Service, for example, were locked in a jurisdictional battle over smuggling for more than a year.

Administration officials say that problems in coordinating national anti-drug programs have troubled the U.S. government for a quarter of a century and that they have done more to improve anti-drug efforts than any of their predecessors.

"You have better coordination now," Mr. Meese said, "you have more progress and you have more cooperative activity taking place now than you ever had in the history of the government."

The Anti-Drug Abuse Act of 1986 that Mr. Reagan signed on Oct. 27, 1986, provided \$1.7 billion in U.S. funds, in addition to the \$2.2 billion already spent each year, to improve enforcement, treatment and education programs. It also toughened sentences for drug violators. Several weeks earlier Mr. Reagan ordered widespread drug testing of federal employees.

Although no one doubted that the Reagan administration was genuinely troubled by drug abuse, it was also true that polls showed the drug issue had a particular resonance with voters. The Democratic leadership in Congress was calling for major new drug legislation and the president's political advisers thought the administration should make drugs its premier issue as it faced the fall congressional campaign.

But in the weeks after Mr. Reagan signed the anti-drug bill, some of the most important decisions about the drug crusade — how much money each program would receive in the following year — were left to midlevel fiscal experts in the Office of Management and Budget who were not specialists in drug issues.

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■ Other deaths: Victor Ganz, 74, vice president of the Whitney Museum of American Art, of lung cancer in New York.

Cecil Brown, 80, who covered World War II for CBS during a distinguished broadcast career, of a ruptured aorta in Los Angeles.

Prince Aspremo Colonna, 71, patriarch of one of Rome's oldest noble families, of a stroke in Rome.

Ivan Beshoff Is Dead; Last Potemkin Survivor

The Associated Press

DUBLIN — Ivan Beshoff, the last survivor of the 1905 mutiny on the Russian battleship Potemkin, a harbinger of the Russian Revolution, died Sunday in Ireland. He continued to South Africa, where he joined fellow mutineers from the Potemkin, and finally settled in Ireland in 1913.

Mr. Beshoff was twice arrested as a Soviet spy, but he gradually became a much-admired figure in Ireland. He married Nora Dunne, and they had six sons and a daughter. His wife died in 1975.

After World War II, Mr. Beshoff opened a fish-and-chips shop in Dublin, and his sons opened branches elsewhere in the city.

The mutiny among the 155 crew members, over poor food, was the first mass expression of discontent in the czar's armed forces and later came to be seen as a prelude to the 1917 Russian Revolution.

The mutineers killed the captain and many officers, then landed at Odessa, where they got food and water. The entire Black Sea fleet was ordered into action to suppress the rebellion, but crews refused to fire on the Potemkin, and it sailed around for 11 days before surren-

dering to the Romanian authorities.

In a recent interview, Mr. Beshoff said he fled via Turkey to London, where he met with Lenin. He continued to South Africa, where he joined fellow mutineers from the Potemkin, and finally settled in Ireland in 1913.

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A Budget Would Help

With the stock market's further lurch downward Monday, the sense of urgency sharpens. There are few things Washington can do to slow the slide, but they must be done quickly and firmly. The first is to give the country a budget — one that will prevent the deficit from rising in the next 12 months.

The White House seems to have nothing in mind beyond the \$23 billion deficit reduction required by the Gramm-Rudman-Hollings legislation. Several senators, including Bob Dole, the minority leader, Lloyd Bentsen, chairman of the Finance Committee, and Lawton Chiles, chairman of the Budget Committee, have urged a greater effort. They are right. As Mr. Dole observed, the markets will not be much impressed if Congress and the president go no further than the reduction that the law will automatically enforce whether they come to agreement or not.

The deficit is crucial because heavy federal borrowing tends to push up interest rates, and the implications are inflationary. The drastic drop in the stock market has many causes, but underlying all of them was a slow rise in both interest rates and inflation — and a sense of widespread alarm among people in the markets, that the government intended to do nothing about either of them

until after the next presidential election. To hold the deficit at the present level will require reduction of about \$35 billion. That is not a huge difference from the \$23 billion already required. But the larger cut would affect the atmosphere in which people make decisions on investing. It would show that Washington recognizes the strains its deficits create and that, despite the coming election, the government means to keep governing.

The United States also needs to do what it can to keep exchange rates steady. Whether the dollar should remain at its present level or another one is an interesting question, for another occasion. It would be truly reckless, however, to allow the dollar to fall, deliberately, at a time when the stock market is dropping uncontrollably. When the dollar started to slide at the beginning of last week, other countries' central banks immediately joined forces to support it. But reports have been circulating in Europe that the Federal Reserve was doing little to help, and on Monday the dollar was falling again.

Political ideas change with circumstances. Among other recent losses, the idea of leaving important economic decisions to the markets has suffered a severe loss of appeal.

— THE WASHINGTON POST.

Sri Lanka Is No Vietnam

In Sri Lanka, critics of the Indian intervention there say, India is on the way to being drawn into the kind of open-ended involvement that the United States knew in Vietnam. The news, telling of the sanguine expectations and subsequent frustrations of the intervening power, appears to offer tentative confirmation of this parallel. We think, however, it fits very little if at all.

India sent forces to Sri Lanka at the request of a government that is one of the most democratic in the Third World. As the regional superpower, India meant to see to the welfare and stability of a nearby friendly country that was disintegrating under the separatist challenge of a terrorist faction of its 18 percent Tamil minority.

There was an irony here. One reason that Sri Lanka had been unable to tame the Tamil fighters was the support that an indulgent New Delhi had let flow to them from India's 50 million Tamils. Sri Lanka has 2 million Tamils. Nonetheless, the action that Prime Minister Rajiv Gandhi ordered in August was undertaken for a good, open and peaceful purpose. Its smaller neighbors look ap-

prehensively at anything giant India does to affect events beyond its borders, and some Sri Lankans suspect that India, having entered in the name of bringing peace, may yet invent reason to stay. But the August intervention drew broad popular approval in Sri Lanka as well as India.

At first most Tamils in Sri Lanka seemed to be accepting the government's peace offer of broad autonomy. That may explain why Tamil rebels, irredeemably separatist, found occasion to resume the slaughter of innocents — both Sinhalese and Tamils. India reacted with its current offensive against a Tamil force that is internally isolated and no longer has external sanctuary.

The Indians are both taking and inflicting more casualties than a democratic government likes. Still, Mr. Gandhi is conducting a responsible policy. Earlier, playing to a domestic Tamil constituency, he winked at the rebel fighters. Now, asserting a national interest in regional stability, he is taking on the rebels, who have proved themselves the violent saboteurs of a fair agreement made by two democratic governments.

— THE WASHINGTON POST.

The Great Textile Robbery

It is already an outrage: Quotas and tariffs raise clothing and textile prices in the United States by a whopping \$20 billion a year. That means the public currently pays \$86,000 for every job protected.

Now Congress wants to make it worse. Last month, the House of Representatives voted to allow imports to rise by only a small fraction of the expected growth in demand, and the Senate is expected to go along. The added restrictions would, according to estimates by William Cline, a researcher at the Institute for International Economics, double the current consumer cost by the year 2000. The only consolation is that the bill is certain to be vetoed by President Reagan.

The protectionists' case is simple. Apparel and cloth manufacturers employ 1.8 million and generate some \$100 billion in income. If imports are not tightly checked, the industry says, American producers will be unable to compete with foreign companies that pay pennies a day for workers. Even the best-run domestic manufacturers will fail, devastating families and communities.

It is a simple argument but it is disingenuous. In spite of their labor cost disadvantage, highly automated U.S. textile mills have remained competitive in world markets. The mills are currently operating close to capacity, and imports account for only 10 percent of domestic consumption.

Apparel manufacturers, who have invested little in mechanization, have been pressed by imports. But foreign clothing still has only 30 percent of the U.S. market. And thanks to

rapid growth in total demand, domestic sales and profits have never been higher.

The House measure, restricting import growth to 1 percent annually, would check the slow decline in industry employment — but only at an incredible price to consumers. According to Mr. Cline, each of the 179,000 jobs saved would 10 years later add even more to Americans' clothing bills. And seen simply as a make-work program, it is far from clear that these jobs would be worth preserving at any price.

Apparel and textile wages average less than \$7 an hour, \$2 less than the average private sector wage. Moreover, with unemployment now below 6 percent and labor shortages forecast for the next decade, there is every reason to believe that workers laid off by the industry will be able to find jobs at comparable pay.

A plausible argument can be made for preventing high-tech industries from being overwhelmed by imports. Reasonable people can debate the merits of creating an effective safety net for workers and communities affected by any large employer collapse. But there is no basis for asking Americans to pay tens of billions more to save a relatively small number of poorly paid jobs in highly profitable industries.

Congressional eagerness to pander to the textile and apparel makers is sad evidence of the power of well-organized, big-money lobbying. It is hard to remember when legislation so richly deserved a veto.

— THE NEW YORK TIMES.

Other Comment

A Slippery Slope in Sri Lanka

It was a battle that simply had to be won; and the Indian Army duly claimed Monday to be in overall control of Jaffna in the Tamil heartland. The Tamil Tigers proclaim their intention of going over to guerrilla warfare. There need be no doubt that they have enough support among the Sri Lankan Tamil minority and in Indian Tamil Nadu to make this a miserable reality. The peacekeepers will in such case find their task much more frustrating, and a commitment to stay for a few months could be transformed into years.

If the Tigers mean what they say, Jaffna was only the first engagement and may prove to have been one of the easiest. The trick is to cut the Tigers off from their sympathizers among the general Tamil population. If their reckless stand in Jaffna and the massacres that went before are not enough to achieve this, it is difficult to imagine what could. But there is as yet only scanty linkage in peoples' minds be-

tween the wreck of the city and the cynical fanaticism of the Tigers. Unless that link becomes established, there will be no rest and no peace for Sri Lanka.

— The Guardian (London).

Prime Minister Rajiv Gandhi, and his mother before him, long insisted that the solution to Sri Lanka's ethnic conflict lay in the political process. But the intransigence of the Tamil Tigers has forced Rajiv Gandhi to turn to armed intervention for a solution. The island, a leading English-language daily, put the question many are now asking on its front page: "Is Sri Lanka fated to become India's Vietnam?" Military observers expect that India's military power will eventually prevail. The Tamil guerrillas are fighting troops of the world's fourth-largest army. But military suppression does not always bring peace — or even victory, as Vietnam showed.

— T.B. Perumattilleke, managing editor of the *Lankan News Service* in Colombo, in a *South-North News Service* dispatch.

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Editor for Asia: Michael Richardson, 5 Convent Road, Singapore 0511. Tel. 472-7768. Telex: R556928

Managing Director, Asia: Malcolm Glen, 50 Gloucester Road, Hong Kong. Tel. 4-8610616. Telex: 61170

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OPINION



The Crash, Thank Goodness, Got Their Attention

By David S. Broder

WASHINGTON — Optimism is hardly the order of the day in Washington. But even if you think that a cold-shower dose of reality is what the politicians in this town really needed, the situation is more hopeful than most of the commentary here would suggest.

By dramatically signaling the end of the "morning in America" euphoria of the middle Reagan years, the stock market may have done the country and the world a huge favor. The reaction on both ends of Pennsylvania Avenue suggests that the message has been heeded, perhaps in time to head off the economic collapse that such a crash historically has signaled.

Many signs suggest that there is a good deal of strength and resilience in the economy. The latest figures on gross national product and consumer prices suggest that America is still enjoying healthy growth without inflation. If politicians in the United States and abroad can take the needed steps to adjust fiscal, monetary and trade policies, the prospect is far from bleak.

For America, the overdue imperative is disciplining the budget deficit. And that means Congress and the president must abandon the myth that they can sit on their prerogatives and force someone else to make the hard decisions. Finally, it appears that they are ready to face the music.

President Reagan has climbed off his high horse about taxes and agreed that revenues can and must be part of the bargaining. For their part, the majority Democrats and minority Republicans on Capitol Hill have finally conceded that the Gramm-Rudman-Hollings "automatic" budget cuts are a poor substitute for the tough choices

that must be made to get control of spending. It's about time.

Mr. Reagan has squandered almost five years of strong economic growth, during which time he could have closed the budget gap created by his 1981 decision to reduce tax rates while accelerating the defense buildup. As deficits soared to previously unknown levels, Mr. Reagan intoned, like a broken record, "No more taxes."

In fact, higher tax rates did not have to be the heart of the solution. A good case could be made during those years for holding rates down as far as possible, to spur economic growth. But by insisting that taxes could not even be discussed, Mr. Reagan substituted dogmatism for realism, thus inviting the congressional defenders of the military and civilian pork barrel to be equally adamant in protecting their pet spending.

The most conspicuous victim of his stubbornness was the Senate budget compromise of 1985, hammered out by Bob Dole and immediately undercut by Mr. Reagan. The failure of that effort set the stage for the Republican loss of the Senate majority in 1986. And that in turn has left Mr. Reagan fighting defensive battles on everything from the composition of the Supreme Court to the U.S. commitment in Nicaragua and the Gulf. Expensive dogmatism, indeed.

The scuttling of that 1985 budget also led to passage of the Gramm-Rudman-Hollings bill, an embarrassed Congress sought a fig leaf to cover its nakedness on realistic budget policy. If

Mr. Reagan can be blamed for budget dogmatism, Congress is equally guilty of escapism. Senator J. James Exon of Nebraska, a conservative Democrat who cannot stomach the hypocrisy that passes for budget policy in Washington, said it best when Congress was passing its latest cop-out version of Gramm-Rudman-Hollings.

"The entire Gramm-Rudman process actually delays serious action on the deficit," he observed. Noting how the 1986 budget "reconciliation bill" was loaded with spending shifts, one-time asset sales and accounting gimmicks, he said:

"Rather than force action, the Gramm-Rudman process fakes action. After two years of operation, by and large, Gramm-Rudman has not worked. The new version of the law does not bring with it a new promise of deficit reduction. If anything, it pushes difficult decisions away from this Congress and President Reagan onto the next Congress and the next president."

"It is a way for Congress to congratulate itself for having fiscal courage without making a single decision on the spending and revenue issues which produce the debt and deficit."

On Sept. 23, when Mr. Exon delivered that brutally accurate assessment, Congress chose to join the president in playing "let's pretend." Gramm-Rudman-Hollings passed with bipartisan majorities, and Mr. Reagan signed it into law. Now both the president and Congress await what the markets know: It's a charade. What Mr. Exon called "the nuclear nightmare of the president's fiscal policy" has exploded. But in the new realism, there may be time for a successful rescue.

The Washington Post.

Bradley's Wisdom: The Superpowers in the Year 2000

By A.M. Rosenthal

NEW YORK — This is the time, with the strange maneuverings over the summit meeting by the Kremlin, for Americans to ask themselves a question a boy of 10 put at a town hall meeting between U.S. and Soviet citizens in New York state.

The boy asked his elders just what they wanted relations between the United States and the Soviet Union to be in the year 2000. Much the same question often is brought up in solemn meetings of foreign affairs think tanks.

Good question, people nod, but the answers are usually vague. The conversation drifts on to something else. But it is a question to be faced now, and Moscow's summit errand makes it more important.

The superpowers no longer determine the future of the entire world; see Vietnam, Palestine, Iran, Afghanistan, South Africa. But at least Americans can be clear in their minds about the principles and conditions on which they want to base the Soviet-American slice of that future.

On the platform of the day the boy stood up was Senator Bill Bradley of New Jersey. The senator gave an off-the-cuff reply; it does not stick in the mind. But this month, in Minnesota, he did give thoughtful answers that

are worth thinking about. That speech showed why so many Democrats keep pushing the reluctant senator to get into the presidential race.

Mr. Bradley collected his thoughts on one of the most important subjects facing the United States and presented them strongly and calmly. They were sophisticated, but not cynical, and rich in detailed reasoning.

They came from a man well-grounded in foreign affairs and eager to learn more. Adding to sound foundation of knowledge is different from the catch-up ball so many politicians start playing after they see the White House in their dreams.

Mr. Bradley provided a one-paragraph doctrine that explains American fears and suspicions of the Soviet Union: "A society governed by a centralized, one-party state that insists on dictatorial control is inherently unstable. History teaches that instability and great military power are a dangerous combination. That is why Soviet power has been such a problem for the rest of the world, especially for Eastern Europe."

Without that understanding, the past has no meaning, the future no

clarity. *Glasnost* may open Soviet society somewhat and produce more freedom for Soviet workers; that is good. But as long as it rests on top of a one-party, centralized dictatorship with vast military might, menace and suspicion of the Soviet Union will remain — and be historically valid.

The Cold War was real. It was started by Soviet occupation of Eastern Europe. Its bequest is the opposing armies still on the Continent.

The past does not demand that the United States automatically refuse whatever opportunities Mikhail Gorbachev presents to marry the best interests of the Soviet Union, which is what occupies him, and the best interests of the United States, which is — or should be — Americans' point of concentration.

The very prospect of a widening of U.S.-Soviet negotiations on arms control makes a far more open Soviet society not only a U.S. humanitarian goal but a U.S. security interest. Open enough so that freedom of expression is a right, not a hedged permission, as it is under *glasnost*. Open enough to internal differences and political competition so that a military dicta-

torship could not suddenly use its armies or put the country into reverse.

There are other conditions for a safe future. Senator Bradley named some: much greater freedom for Eastern Europe, more Soviet restraint in the developing world. And, as important as any, a reduction in Soviet offensive conventional power, which now could overwhelm Europe.

That is a matter of safety for both sides. Only such a reduction could guarantee that if Soviet tanks and armies moved they would not be answered with nuclear weapons.

Mr. Bradley feels that any economic support for Mr. Gorbachev should be limited and tied to real progress in reform of the Soviet system itself.

"I question the wisdom — and the morality — of helping the Soviets avoid the choice between civilian investment and military buildups."

Taken together, it is a good answer to the boy of 10 and to all Americans who ask themselves what they want for themselves and the Soviet people.

If Bill Bradley keeps refusing to run for president, somebody else is going to try to make the man secretary of state. That threat might make the senator think again.

The New York Times.

East-Bloc Defectors Are a Resource Not to Be Wasted

By F. Mark Wyatt

WASHINGTON — A vital but largely ignored component of U.S. national security policy — the treatment and resettlement of Soviet and Soviet-bloc defectors — is receiving some long-overdue attention.

Hearings this month of a subcommittee of the Senate Committee on Governmental Affairs gave timely recognition to one of the United States' few advantages in the constant high-stakes struggle between U.S. and Soviet intelligence services.

Most intelligence experts would concede that in this struggle the KGB enjoys built-in advantages over the Central Intelligence Agency. Dominating the Politburo, the Central Committee and the military, the KGB reigns as the supreme source of power in the Soviet Union. As such, it has priority access to funds and its pick of gifted recruits.

The CIA, by contrast, is subject to many controls and restraints of the democratic system. The CIA cannot easily uncover high-level intelligence in the tightly controlled police atmosphere of the Soviet Union, yet the KGB can work virtually with impunity in America's free society.

But the greatest advantage of the West lies in its ability to attract to its cause highly informed members of the Soviet-bloc elite. Privileged Russians who are allowed to travel abroad have the opportunity to defect. They are also the ones with the greatest knowledge of the regime, its factions, its inefficiencies, its vulnerabilities and its corruption.

In the field of human intelligence, defectors constitute the single most important source of information about the Soviet Union and the intentions of its leaders. Defectors have identified important Soviet illegal agents operating in the United States and have provided significant leads to "moles" in Western intelligence and security organizations. Defectors are the Achilles heel of the Soviet world.

We can be sure that many potential defectors hesitate to take the final step for fear of the unknowns that await them in America. These people can derive little comfort from recent dramatizations in the Soviet media about the double-defector Vitaly Yurchenko, who said in an emotional news conference that he had been forcibly held, drugged and maltreated before escaping from the CIA.

While Mr. Yurchenko's assertions were clearly false, the record of American handling of defectors does reveal critical deficiencies. It must be made clear to would-be defectors that they will be provided with friendly protection, sound resettlement procedures and continuing support.

In dealing with defectors over the years, I have found that in almost every case, the early stages were handled by at least one outstanding American case officer — a sensitive, understanding person in whom the defector has a genuine sense of trust. This human factor must never be minimized. Any intelligent defector would have to be an utter fool to risk his life for a faceless organization.

Unfortunately, the defector loses the support of the trusted case officer in the latter stages of defection. After interrogation, debriefing and long-delayed discussions on resettlement, the intelligence organization becomes a many-faced bureaucracy. The defector's status shifts from that of an operational concern to an administrative one.

Too little attention has been paid to the need, at this point, for a trusting, lasting relationship between the newcomer and the agency.

Bureaucratic personnel who enter at the latter stage too often lack the broad-mindedness, consideration and sensitivity to deal with the trauma of a person who has left behind all he owns in exchange for an uncertain future. One unfortunate result is a tendency to place defectors in positions that do not correspond to their talents or aims. By and large, defectors hope to continue working according to their specialization.

Since they have become disillusioned with the Soviet system, they also would like to make some impact by explaining the faults and weaknesses of the Soviet system to Americans in government, business or academia. Instead, some recent defectors who rose to the top of their professions in their former countries have ended up in America selling ice cream or packing frozen fish.

Leaving a structured society where everything is done for them, defectors are left to make unfamiliar decisions: arranging a loan at a bank, obtaining medical insurance, finding a place to live. Job security is vital to their sense of psychological well-being, and since being jobless is illegal in many Communist countries, an unemployed defector often feels like a criminal.

Some of the more successful resettlements have been due to the efforts of individual Americans, many of whom are former intelligence and Foreign Service officers who have undertaken this responsibility on a private, personal basis. We must discard the unfortunate notion that the

defector's knowledge of Soviet plans and strategies stops with his defection, and that his value ceases when debriefing is over. A number of defectors have disproved this.

The most important part of our foreign relations today is our relations with the Soviet Union. The most useful guide we have to understand our adversary is a former member of the elite of that system.

The writer is a veteran of 31 years in the clandestine service of the Central Intelligence Agency. He contributed this comment to *The New York Times*.

100, 75 AND 50 YEARS AGO

1887: Liberty's Birthday

PARIS — Today [Oct. 28] will be celebrated throughout the United States, and principally at New York, the first anniversary of the inauguration of the statue of "Liberty Enlightening the World." "Bartholdi's Day," as it is now called, will not, however, keep on the western side of the Atlantic only, but the rejoicings will find an echo in Paris, where at the Continental Hotel this evening a banquet will unite many of the leading members of the two great Republics.

1912: Balkan Borders

ROME — It is stated here that the Austro-Hungarian diplomats are working vigorously in Belgrade in order to arrive at a prior understanding with Serbia in view of the partition of the European provinces of the Ottoman Empire. On the contrary, Russia, which is not yet entirely prepared for war, and Italy continue to favor the "status quo," although they

The Point Is to Make Iran Stop

By Charles Krauthammer

WASHINGTON — At a White House briefing a few hours after the American attack Oct. 19 on Iranian oil platforms in the Gulf, the presidential spokesman, Martin Fitzwater, was asked: "The Iranians are already suggesting that there will be retaliation . . . Why should we think that this won't go on response for response?" He answered: "I would emphasize the restrained nature of this action, the precision with which we tried to identify a target which was proportional to their attack."

The U.S. ships, he added, "gave advance notice so that they could escape and thereby save lives."

So there we have it: restraint, precision, advance notice and, above all, proportionality. Combat, so generally, it cannot fail to impress the ayatollah. No reason for him to strike back. After all, we seek no wider war, as Lyndon Johnson used to say.

The idea of proportionality, that restraint begets restraint, continues to mesmerize American policy makers. One would think they had learned something from Vietnam, the laboratory, the graveyard, of the idea of proportional warfare. A U.S. policy of gradual escalation did not deter. It simply assured ever rising levels of stalemate on the other side.

If not in Vietnam, one would have thought that proportionality would have met its ruin in Beirut, where the United States adopted rules of engagement of absurd proportionality. A marine who found himself under sniper attack was permitted to return fire 1) only after identifying exactly who was firing, 2) only if he used the same caliber weapon ("Let's see. Is that guy trying to kill me with an AK-47? May I go up to an M-16, sergeant?"), and 3) only so long as the sniper kept it up. When the sniper quit, the marine had to. After being ordered to concede to the adversary control over the location, intensity and duration of combat, U.S. forces in Lebanon settled down to await their destruction.

On the other hand, the virtues of disproportion — the application of force so sudden and overwhelming as to demoralize and disarm the enemy and thus stop the violence — have been amply demonstrated in such diverse places as Czechoslovakia (1968), Poland (1981) and Grenada. The latest demonstration was Libya. In retaliation for a Libyan terrorist attack that killed one American, the United States launched a raid last year that so devastated and demoralized Colonel Gadhafi that neither he nor terrorism has been the same since.

A demonstration of the real power imbalance between a loudmouth and a superpower is enough to put a country like Libya in its place. Conversely, once a superpower voluntarily accepts the constraints of proportionality, it forfeits that excess of power which makes it a superpower and enables it to deter lesser powers.

Mr. Fitzwater got it wrong. Proportionality is the enemy of deterrence. The way to ensure that tit-for-tat warfare will continue in the Gulf is precisely for America to restrict itself to responses that are "restrained, proportional and measured." It is only under a regime of proportionality that Iran can go all the way against the U.S. Navy.

Iran does the one thing the United States warned it against — firing directly at a U.S. flagged vessel (sinking the American captain) — and it is reprovved with the most marginal attack carried out in the most genteel way: no Iranian soldier, no Iranian soldier, no Iranian vital interest is disturbed. And just to be sure, the secretary of defense promises that there will be no more. Chapter closed.

The point of retaliation is not to make Iran bleed, but to make it stop. And you do that not with an exercise of target practice against oil platforms, but by striking a target of real strategic significance to the Iranian war effort, a target like Kharg Island, from which Iran exports 90 percent of its oil.

Restraint, proportionate and measured. The message such a response sends is not that the United States will not tolerate any attack by Iran, but that the United States will not tolerate any engagement with Iran.

The point of U.S. restraint was a desire not to provoke. But that misses the point. The ayatollah has made it clear that what he finds provocative about the Great Satan is not its retaliation but its existence. The only way for America to stop provoking Iran is to leave the Gulf. And since Congress is not going to support any running gun battle in the Gulf, no matter how low the intensity, a couple more tit for tats and the ayatollah will have won again.

Washington Post Writers Group.

1937: News? Dial INF-1

PARIS — If you accidentally light the morning fire with the morning newspaper, don't worry. Just run to the telephone and dial INF-1. And don't be surprised when you get a complete news bulletin, including weather forecasts and the latest dope on the Nine-Power Conference. The service is run all day and until 11 P.M. by the French newspaper "Petit-Parisien." Yesterday [Oct. 27] one could hear about the impending flood in the Pyrenees, new troubles in Palestine and probably southwest wind for today.

OPINION

Keep the Asylum Rules Fair, and Human

By Anthony Lewis

BOSTON—Rules of procedure can look like lawyers' technicalities. But freedom often depends on whether the rules are fair. The history of liberty, Justice Felix Frankfurter said, "has largely been the history of observance of procedural safeguards."

An issue rumbling in Washington now shows how much questions of procedure can mean in human terms. The issue is how to decide pleas for asylum in

How can the agency that expels aliens be the one hearing asylum requests?

the United States: the pleas of men and women who say they are fleeing from persecution in another country.

Not just liberty but life may be at stake in asylum cases. Torture, religious persecution, political death squads—such fates may await a refugee whose appeal to stay in America fails.

In the Refugee Act of 1980 Congress wrote into law the tradition of granting asylum to those seeking refuge from persecution. But not all claims of persecution are valid. Someone has to sort them out.

Two months ago the Justice Department proposed new rules for handling asylum cases. They make a number of changes. One has aroused concern among the agencies and lawyers who deal regularly with requests for asylum and who know the heart-rending human stakes.

Today anyone claiming asylum has the right, before being deported or excluded from the United States, to press the claim at a hearing before an immigration judge. The hearing includes the usual protections of due process: representation by a lawyer, the right to call witnesses and so on. The new rules would eliminate the role of immigration judges. Instead, those who seek asylum would go to the agency that polices the borders of the country, the Immigration and Naturalization Service, or INS.

INS employees designated as "asylum officers" would consider the cases. They could dismiss applications as "frivolous." In "non-frivolous cases" they would have what the rules describe as a "non-adversarial interview" with the person seeking asylum. That would seem to be less than a full hearing. A lawyer could be present, but apparently without power to subpoena witnesses or documents or to cross-examine.

The crucial change is in the fact-finder: the person who decides whether the applicant has really suffered persecution or

has reason to fear it. Instead of an independent judge there would be an employee of the immigration service—an agency whose main function is to exclude and expel aliens from the United States.

As a matter of appearance alone the proposal seems dubious. How can a refugee, someone who already feels weak and frightened, have any confidence in asking an officer of the very agency that arrests and deports aliens for asylum? And it is not just a question of appearance. No American would think it fair to be tried on criminal charges by an employee of the police department.

The president of the National Association of Immigration Judges, John Gosart, has made the point in a comment to the Justice Department on its proposals.

"I think asylum is a humanitarian act and should be resolved in a non-adversarial setting," Judge Gosart said. "But the setting should not be in the agency whose function is the apprehension and expulsion of aliens. There would always be a credibility problem. An agency denies someone asylum—and then the same agency seeks to deport him or her."

Many immigration lawyers are skeptical about the idea of "non-adversarial interviews." Pleasant as that sounds, they think it will work in practice to allow rushed and routine denial of asylum requests, without adequate fact-finding.

There is also concern that the granting of asylum will become even more politicized. The Reagan administration's focus on leftist tyrannies heavily influences the process now. Persons seeking asylum from the Sandinist government of Nicaragua almost always win, for example, while fewer than 3 percent of refugees from El Salvador do.

Ever since the passage of the 1980 Refugee Act, immigration officials have worried about the possibility of floods of aliens seeking asylum. They have considered various proposals to shortcut the process. But there is no great backlog of asylum cases now, no reason for panic.

The proposed new rules include some that are sensitive to the fragile situation of those who seek asylum. The time for comment on the proposals ends this week. It should be possible, then, for Justice Department officials to work out needed changes with those who know the human realities.

The New York Times



Main Street's Sweet Revenge

By Paul Horvitz

PARIS—Sweet justice. Sweet revenge. We of the semi-washed masses who said no to the narcotic of stock ownership and invested instead in passbook savings and backyard tomato seeds are snickering under our garlicky breath these days.

Hah! Those overextended three-piece suiters. Look at them run, their briefcases

MEANWHILE

bulging with sell orders and IOUs. Oh, those jet-setting Gucci Puccis. That nose-to-the-ticker-tape crowd with stock portfolios as thick as slabs of foie gras.

Did they ever take a beating? Dumped on by the Dow. Battered on the Bourse. Lashed in London and conked on the book in Hong Kong.

It was the crash heard round the world, and to those of us in the safe harbor of debt, it was the genius *monstrum capitalis*. It was pure Mozart. Watching a wild stampede of the nouveau riche from the sidelines can be a wholly restful experience.

Now they'll pay for all that dice rolling, all that crystal ball hokus pokus. Gamblers! They got what was coming to them, didn't they? Somebody has got to clean up after the bulls, and it's not going to be us.

Now they may learn that the real world is on Main Street, not Wall Street; that for Mr. and Mrs. Perkins of Peoria, the marketplace stocks fish sticks and Quaker Oats, not blue chips and futures.

Will the tailors and shoe repairers see a boom? Oh, yes, it is sweet.

Will the second-hand stores overflow with turned-in tuxedos and leather and minks? There's a bargain for you. Office space in lower Manhattan will be taken over by tax lawyers and accountants struggling to turn up a good deduction—or by overnight shredding services. What does one do with all those paper losses?

And all those surpluses. They are finally on the run. It is indeed sweet. Take that, you wet-behind-the-ear speculators, you who worshipped Ivan Boesky and dreamed of the big killing.

Soon Neiman-Marcus and Bloomingdale's and the boutiques on Rodeo Drive will be showing denim and sneakers in their windows. Hermes will move quietly from silk to acrylic. (Ernest and Julio Gallo, your bouquet is improving.)

Instead of merger madness, we can see it now: Unisys divests into the good old Sperry and Burroughs. Continental coughs up People Express.

What? The analysts and traders are still nervous, you say? The money makers and policy makers hunger for a deserved meal of market stability?

Let them eat voodoo economics. *International Herald Tribune.*

LETTERS TO THE EDITOR

Tibetan Riots: Two Western Witnesses Tell Their Story

As has been reported, we were arrested in Tibet on Sept. 28 for endangering China's national security. Our crime was having postcard-sized Tibetan national flag stickers on a shoulder bag and a diary. The Chinese media repeatedly have accused the two of us and other foreigners of instigating the demonstrations in Lhasa on Sept. 27, Oct. 1 and Oct. 6. We feel compelled to respond.

The Chinese allegation of foreign instigation is patently false. It is an obvious attempt to cover up the legitimate rage of the Tibetan people. As professionals (a physician and an attorney), we witnessed the demonstrations, documented casualties and police behavior.

The Oct. 1 uprising was a spontaneous reaction to police brutality against Tibetans demonstrating peacefully. About 300 foreigners witnessed the riot. We were all encouraged by Tibetans to take photographs, particularly of the dead and injured, and show them to the world. It is believed by both foreigners and Tibetans that there would have been a massacre had tourists not been present. Although several foreigners joined with thousands of Tibetans in throwing rocks, this appeared to be an emotional response after the police fired indiscriminately into the crowd.

On Oct. 10, when we were expelled from the country, Westerners were witnessing increasingly frequent night-time arrests and beatings on the street. These incidents, coupled with the constant presence of heavily armed troops, can

only fuel the Tibetans' resentment of 37 years of Chinese military occupation. And with the recent expulsion of foreign journalists and the restrictions on independent travelers, mass arrests by the Chinese are to be feared.

What legitimacy can the Chinese claim in Tibet if they react so violently to peaceful demonstrations? Why did China react peacefully to the Chinese student demonstrations yet so violently to the Tibetan demonstrations? What message does this send to the residents of Hong Kong and Taiwan? Despite modest improvements in recent years, China's occupation of Tibet might still best be understood within the prism of institutionalized cultural genocide.

WILLIAM B. KERR, M.D.
JOHN L. ACKERLY,
Kathmandu, Nepal.

A Clarification From Linz

Concerning the letter sent to Edgar Bronfman, the president of the World Jewish Congress, by Deputy Mayor Carl Hödl of Linz ("The Short, Unhappy Tenure of an Envoy in Vienna," Oct. 10), I wish to inform you that the City Council of Linz issued a public statement last July condemning "all forms of anti-Semitism and racism" and objecting to "the anti-Semitic and racist content" of this letter. The council's statement expressed regret that "the reputation of our city and its democratic and anti-fascist citizens has been

endangered at home and abroad by a member of the City Council."

The statement was proposed by the Socialist majority and adopted unanimously in public session by the entire council. Mr. Hödl declared that he dissociated himself from any remarks that could be interpreted as anti-Semitic.

Under the statutes of our city a deputy mayor can be made to resign only through a vote of no-confidence by the members of his own party in the council. In this case the Austrian People's Party. This has not happened. But Mr. Hödl has been dropped as his party's *Obmann*, or party chief, for Linz.

Mayor HUGO SCHANOVSKY,
Linz, Austria.

X-Ray Lasers Are a Bad Idea

Scientists are quarreling over the effectiveness of the X-ray laser ("How Hot Is the X-Ray Laser?" Oct. 23). But even if it worked as designed, it would be a bad idea. In a crisis, it would be highly destabilizing and could precipitate war.

If the Soviet Union built a similar system, the X-ray lasers on each side would be extremely vulnerable. Since one such device could destroy many targets, the side that struck first in a war could wipe out the opponent's space weapons. Whoever hesitated would lose.

Such strategic instability has precipitated wars in the past. In the 1960s, both Israel and Egypt had vulnerable bomber fleets on open desert airfields. Each side knew that whoever struck first could wipe out the opponent's bombers. When

war appeared imminent, Israel felt great pressure to destroy Egypt's bombers before Egypt could do the same to Israel. This helped trigger the Six-Day War.

If an equally unstable situation is created with nuclear weapons in space, the consequences could be far worse.

DIETRICH FISCHER,
Princeton, New Jersey.

Stock-Market Fiction

Sam Walton, chairman and chief executive officer of Wal-Mart Stores, was right when he said, "It was paper when we started and it's paper afterward" ("From Billionaires' Row," Oct. 21).

Shares have a monetary value only at the time they are traded. The idea that when a few shares of a corporation are traded, all other shares of that corporation are worth the price at which the few shares were traded, is irrational and detrimental to the stability of the economy.

It is thus ridiculous, if common practice, to assume that because a few shares of a corporation are traded for, say, one dollar more than yesterday, that the millions of shares of that corporation all become worth a dollar more each, creating millions of dollars instantly.

One day, hopefully, people will distinguish between money as a means to speed up transactions and money as a measure of comparative worth when no monetary transaction occurs. The two, as understood by economists before Adam Smith, cannot be assumed to be the same.

PHILIPPE A. CLAVIER,
Chicago.

A Legacy for Burkina Faso

We should express outrage over the violent transition of power in Burkina Faso. President Thomas Sankara was not "executed," he was murdered.

I worked in Burkina Faso (then Upper Volta) before, during and after the revolution of Aug. 4, 1983. While Captain Sankara's decisions often rankled, he did what he thought was best for his country. He was no saint, but he was no Idi Amin either. Western governments probably will remember him as a thorn in their sides. Some of us will remember him quite differently.

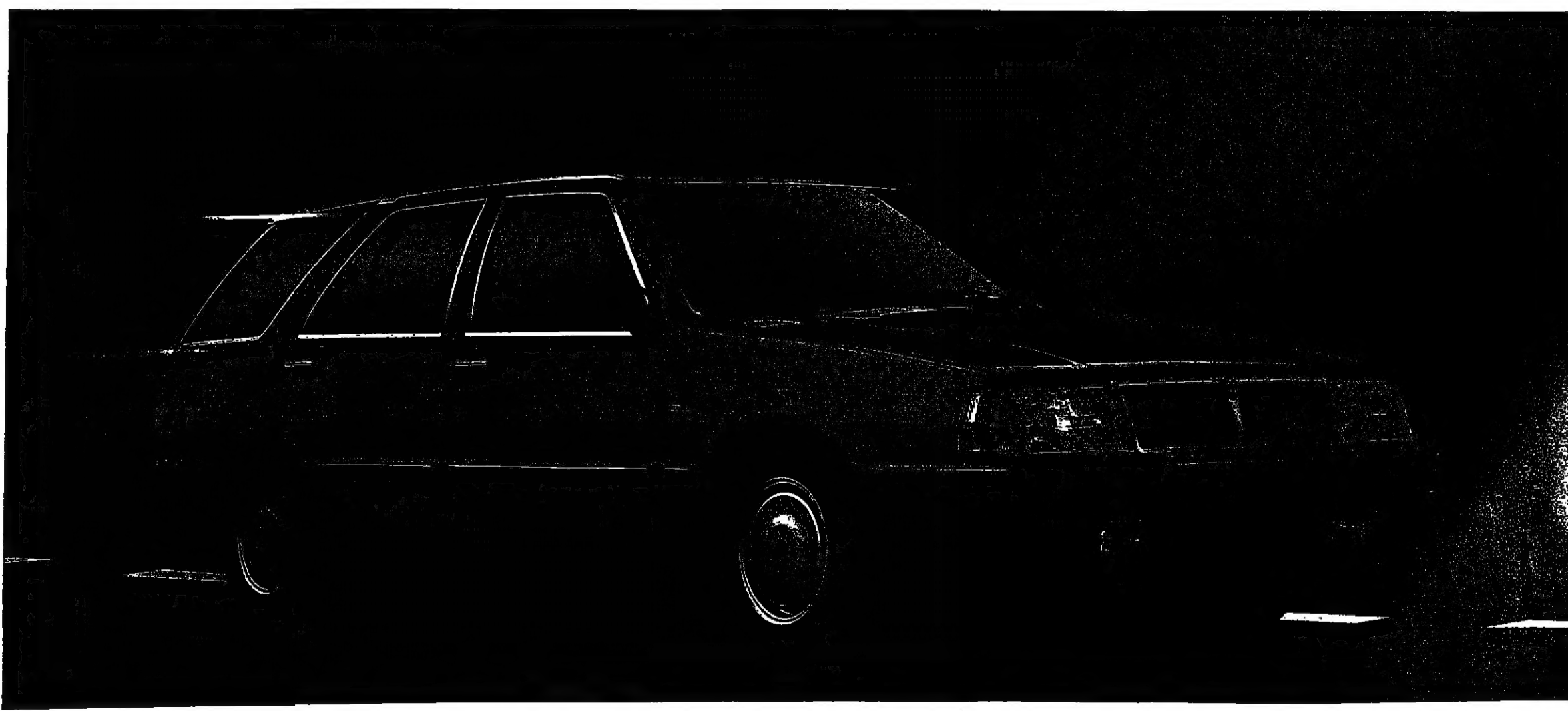
He began the process of cleaning up a hopelessly corrupt, rotten government that repressed its people and stole 90 cents of every development dollar. He recognized the many contributions women make to African culture and agriculture, and appointed several to high posts in his government.

He emphasized local self-sufficiency in agricultural production over dependency on handouts from the West. His highest achievement was acknowledging the importance of the nation's farmers and instilling in them the belief that they could control their own destinies. All these are unfinished projects now, ended in a spray of bullets from AK-47s on Oct. 15.

Captain Sankara's motto was, "The fatherland or death, we shall overcome." It is a damn shame that death intervened before he finished his work.

DONALD J. MANSIUS,
Fulman, Washington.

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We have to admit it, we love being first. 25 years ago we built the first Italian car with front wheel drive. Independent suspension was one of our ideas. Integral body construction another. Now we're keeping up the tradition with the launch of the Lancia Thema station wagons. For the first time you can enjoy the kind of driving and performance you'd expect from Lancia in a station wagon. We've limited our range to turbo models only: the 165 HP turbo engine, with counter-rotating shafts, intercooler and

overboost, and the 100 HP turbodiesel engine with intercooler. Both boast bodies designed by none other than Pininfarina. While inside you'll find them just as impressive: big, plush, and superbly appointed. They do 0-100 kph in just 8.6 seconds (13.7 for turbodiesel) and achieve a top speed of 210 kph (180 for turbodiesel). But you'd never think it as their engine purrs along so softly. The Themas incorporate a wealth of new thinking and advanced technology. What better way of keeping yourself ahead?

Thema SW turbo-2000 cm³, 165HP, 210 kph, 0-100 kph in 8.6 sec.

Thema L turbo-2000 cm³, 165HP, 218 kph, 0-100 kph in 7.3 sec.

Versions may change from country to country.

Thema SW turbo ds-2500 cm³, 100HP, 180 kph, 0-100 kph in 12.7 sec.

Thema turbo ds-2500 cm³, 100HP, 185 kph, 0-100 kph in 11.9 sec.

Thema L-2000 cm³, 120HP, 195 kph, 0-100 kph in 9.7 sec.

Thema SV-2850 cm³, 160HP, 208 kph, 0-100 kph in 8.2 sec.

Lancia Thema



U.S. Breaks String of Failures With Military Rocket Launch

By William J. Broad
New York Times Service

NEW YORK — A successful launching of the Titan 34D, the most powerful unmanned American rocket, has ended a two-year string of failures and marked a major step toward recovery in the U.S. space program.

On Monday, the Titan successfully sent into orbit a secret military payload that civilian experts said was almost certainly a KH-11 reconnaissance satellite, considered the most sophisticated spy satellite.

The new reconnaissance craft is seen as important to monitoring Soviet compliance with current and future nuclear arms agreements. Until the Titan's launch, the U.S. space program had suffered failures in virtually every type of major unmanned rocket in its inventory and the deaths of seven astronauts in the explosion of the space shuttle Challenger on Jan. 28, 1986. After being grounded last year, some of the smaller American rockets, such as the Atlas and Delta, are again ready to send payloads into space.

Air force officials gave few details on the Titan launching other than to say that the rocket successfully lifted a secret payload into space.

Captain John D. Sullivan of the air force, a Vandenberg spokesman, said shortly after the launching: "It looks good. We had no problems in the launch. It looks completely successful."

The Titan 34D had two consecutive failures in August 1985 and April 1986, leading to the grounding of the entire Titan fleet. The unsuccessful launchings took place at Vandenberg, about 170 miles (270 kilometers) northwest of Los

Angles. The payloads lost in those accidents are thought to have been photographic spy satellites.

The payload Monday was almost certainly a spy satellite meant to make up for those failures and to bolster what civilian experts consider a dearth of American military reconnaissance satellites now in orbit.

Jeffrey T. Richelson, a private consultant who is the author of several books on military intelligence, said the payload was probably a KH-11 reconnaissance satellite, which has engines that can move it about in orbit and powerful cameras that can zoom in on almost any area of the Earth. Its photographs are beamed to ground stations instantly by electronic signals.

"The best guess is that it's a KH-11," he said. "That's the biggest critical need. The only reason not to launch it was if they were worried about the reliability of the rocket," in which case the air force might have launched a less critical satellite, perhaps one that intercepts electronic signals, he said.

John E. Pike, head of space policy for the Federation of American Scientists, agreed that the payload was almost certainly a KH-11. "This launch finally gets them out of the woods they've been in because of the Titan failures," Mr. Pike said.

The KH-11 satellites usually work in pairs. But experts outside the government believe the series of Titan failures reduced the usual complement of two satellites to a lone KH-11 that was launched in late 1984 and is nearing the end of its lifetime.

According to a recent study by the Union of Concerned Scientists, the failure of that satellite, in the

absence of a replacement, would create a serious gap in the U.S. ability to monitor current arms-control agreements and a stumbling block in the ratification of new ones.

Mr. Pike said the new satellite was sent up just in time. "It's certainly cutting it close if you figure the life expectancy of a KH-11 is 36 months, and the one up there was launched 34 months ago," he said.

He added that the successful launching almost certainly ended the possibility of a gap opening next year in the ability of the United States to monitor the destruction of Soviet medium-range and short-range missiles, as called for in a proposed accord to ban the weapons.

All American photographic spy satellites are launched from Vandenberg. Its location is perfect for putting satellites into north-south orbits about the Earth's poles, which allows space cameras to view virtually all the Earth's surface, as the planet turns on its axis beneath them. In contrast, satellites launched from the Kennedy Space Center in Houston or the Cape Canaveral Air Force Station in Florida go into west-east orbits about the Equator, giving them only a limited view of the Earth's surface.

The Titan 34D rocket had been on the launching pad at Vandenberg for months, apparently ready to blast off. Several times during the summer and fall rumors swept the aerospace industry that it was about to be fired. It is not clear why the rocket launching was delayed, if indeed that was the case.

The return of the Titan's lifting power is seen as especially timely because of a series of delays in the resumption of space shuttle flights.



The Titan 34D rises from Vandenberg Air Force Base. The air force said the rocket placed a military payload in orbit.

The space agency's most recent goal is next June, but experts say it will be difficult to stay on schedule.

The Titan 34D is made up of a 161-foot-tall (49-meter-tall) liquid-fueled "core" vehicle and two 96-foot solid-fuel booster rockets. It can launch reconnaissance satellites and other classified payloads weighing up to 10,000 pounds (4,500 kilograms). In contrast, the space shuttle can lift about 50,000 pounds into space.

The Titan failure in April 1986 occurred seconds after launching when one of the rocket's twin solid-fueled booster rockets ruptured, setting off a giant explosion.

The year-and-a-half long process of fixing flaws in the solid-fuel

rockets of the Titan fleet included analysis, re-manufacturing and ground tests.

Edward C. Aldridge Jr., the air force secretary, said the process involved a complete overhaul of the Titan 34D, making it "a safer, more reliable space launch vehicle."

The successful firing marked the first time large solid-fuel booster rockets have helped launch a payload since a leaky booster touched off the Challenger disaster and the grounding of the space shuttles.

The air force is having dozens of new rockets built to expand its arsenal of expendable launchers, including Titan 4s and Delta 2s. The first of them rockets will be ready to be launched next year.

Rising Philippine Nationalism Puts U.S. Bases in Question

By Michael Richardson
International Herald Tribune

SINGAPORE — Changing political attitudes in the Philippines toward the U.S. bases and servicemen there are raising doubts about the future of the U.S. military presence, government officials and regional analysts have warned.

The bases, Subic Bay for the navy and Clark Air Base for the air force, support U.S. military operations in the western Pacific, the South China Sea and the Indian Ocean.

Officials said that the loss of the bases would tend to increase the political and military influence of the Soviet Union, China and Vietnam. The bases are the last U.S. military footholds in Southeast Asia, although there are major U.S. establishments in Guam and Okinawa.

Lee Kuan Yew, prime minister of Singapore, has said that if the bases were lost, the region would have to "start a new way of life."

Sources said that this "new way of life" could involve a search for new strategic relationships, closer defense cooperation between like-minded nations such as ASEAN members, Australia and New Zealand, and perhaps an accommodation of Soviet, Chinese and Vietnamese interests by countries that felt pressured to adopt a neutral stance.

Officials said that heads of government of ASEAN, the Association of South East Asian Nations, may discuss some of these points at a December meeting in Manila.

The United States and the Philippines are scheduled to begin hard bargaining next year over an extension to the 1947 bases agreement. Mrs. Aquino has said that her government will respect the terms of the bases agreement with the United States until it expires in 1991, but keep its options open after that.

Some analysts said that rising Philippine nationalism threatens U.S. tenure. They suggested that nationalism is fanned by Communist insurgents and changing attitudes in moderate areas of the political spectrum that had previously favored the presence of U.S. forces or at least had not been actively opposed.

Reflecting the hardening of political attitudes, Salvador H. Laurel, vice president of the Philippines, told a Senate committee in Manila last month that the bases were "an affront to Philippine sovereignty." No foreign base, he added, could be permanent.

A few days after making that statement, Mr. Laurel resigned as foreign secretary in the cabinet of

President Corason C. Aquino, asserting that she was "soft on Communism." He is now part of a loose rightist alliance opposed to her government.

Nicholas Platt, the U.S. ambassador in Manila, said that recent threats by guerrillas to attack or sabotage U.S. military installations in the Philippines were being taken very seriously.

Clark Air Base, north of Manila, and the nearby Subic Bay naval complex are two of the largest U.S. military installations overseas.

Mr. Laurel was replaced as foreign secretary by Raul S. Manglapus.

In an interview published in the

The foreign secretary said he would change the direction of Philippine policy, and that would require "the slaying of the American father image."

Manila Chronicle on Sunday, Mr. Manglapus was quoted as saying that he would start changing the direction of foreign policy.

He said that this would require "the slaying of the American father image" inherited from the period when the Philippines was a U.S. colony.

Mr. Manglapus said he did not "think that we can grow economically and politically unless we get out of the shadow of that father image."

Shortly before being named foreign secretary, he warned at a private seminar in Singapore that debate over the future of the bases "will polarize our country."

Speaking in his capacity as chairman of the Senate Committee on National Defense and Security, he said that Manila's partners in ASEAN must openly endorse a continued U.S. military presence in the Philippines if they wanted U.S. basing rights to continue.

The other ASEAN members are Brunei, Indonesia, Malaysia, Singapore and Thailand.

While U.S. officials say that all ASEAN governments privately support the stationing of U.S. forces in the Philippines, some countries, such as Indonesia and

Malaysia, are reluctant to give public endorsement because they are members of the Nonaligned Movement.

Alex R. Magno, a political scientist at the University of the Philippines, said that the Aquino government would "have to satisfy growing nationalist pressure by taking a much tougher line at the negotiating table" than have previous administrations.

Joseph Estrada, a Philippine senator, said that a national referendum might be held on whether to retain or scrap the bases. Under the constitution, the Senate must approve any new agreement with the United States.

In an August interview in a Canadian magazine, Mr. Lee said his guess was that American forces would not have to leave the Philippines.

In an effort to influence public opinion in the Philippines, leftist and nationalist opponents have intensified a campaign against the U.S. military presence in recent months.

They assert that the bases undermine Philippine sovereignty and corrupt social values, and would make the country a target for nuclear as well as conventional weapons in the event of a war between the United States and the Soviet Union.

Unhindered U.S. access to the naval, air and communication facilities in the Philippines provides support for U.S. military operations in East Asia, the western Pacific and the Indian Ocean, including the Gulf, U.S. officials said.

The importance of the Philippine bases is emphasized by the steadily growing Soviet use of naval and air installations in Vietnam since 1979, they said.

Arguing that U.S. bases in the Philippines were for regional defense, Mr. Manglapus said that "the chasm that even now divide our people will deepen because of an issue that concerns the region more than their country."

He said that all ASEAN countries should "assume joint political responsibility for the American presence" and accept "more than a token redistribution of the facilities" that were concentrated in the Philippines.

Fedor A. Mediansky, head of the school of political science at the University of New South Wales in Australia, said that if the United States had to leave the Philippines, base facilities under U.S. control could be enlarged or built on Guam and in Micronesia in the western Pacific.

Burial of Radiation Victims Causes Protest in Brazil

By Richard House
Washington Post Service

SAO PAULO — The first two victims of an accidental release of radioactive material in Brazil have been buried amid protests from local residents in Goiânia who regard the bodies as nuclear waste that will contaminate their neighborhood.

Two lead-lined caskets weighing 1,200 pounds (545 kilograms) each were lowered by crane Monday into graves prepared with concrete in the paupers' section of a cemetery, Goiânia, a city of 700,000 in south-central Brazil, is where the nuclear material was released in September.

The bodies of Leide das Neves Ferreira, 6, and her aunt, Maria Gabriela Ferreira, 37, had been returned to Goiânia by military plane from Rio de Janeiro, where they died Friday in a naval hospital. The 10 most contaminated of 243 victims have been treated in that facility.

[Israel Batista dos Santos, 22, a junkyard worker who helped to break open an abandoned cancer-treatment device containing the nuclear material, died Tuesday. The Associated Press reported from Rio de Janeiro. He had been in critical condition for three weeks at the Marcilio Dias Naval Hospital in Rio de Janeiro.]

In the cemetery in Goiânia members of a crowd of about 1,000 people threw rocks and stone crosses at the truck carrying the caskets and clashed with the police after attempting to prevent the burial.

They asserted that the burial would depress property values and prevent visits to other graves.

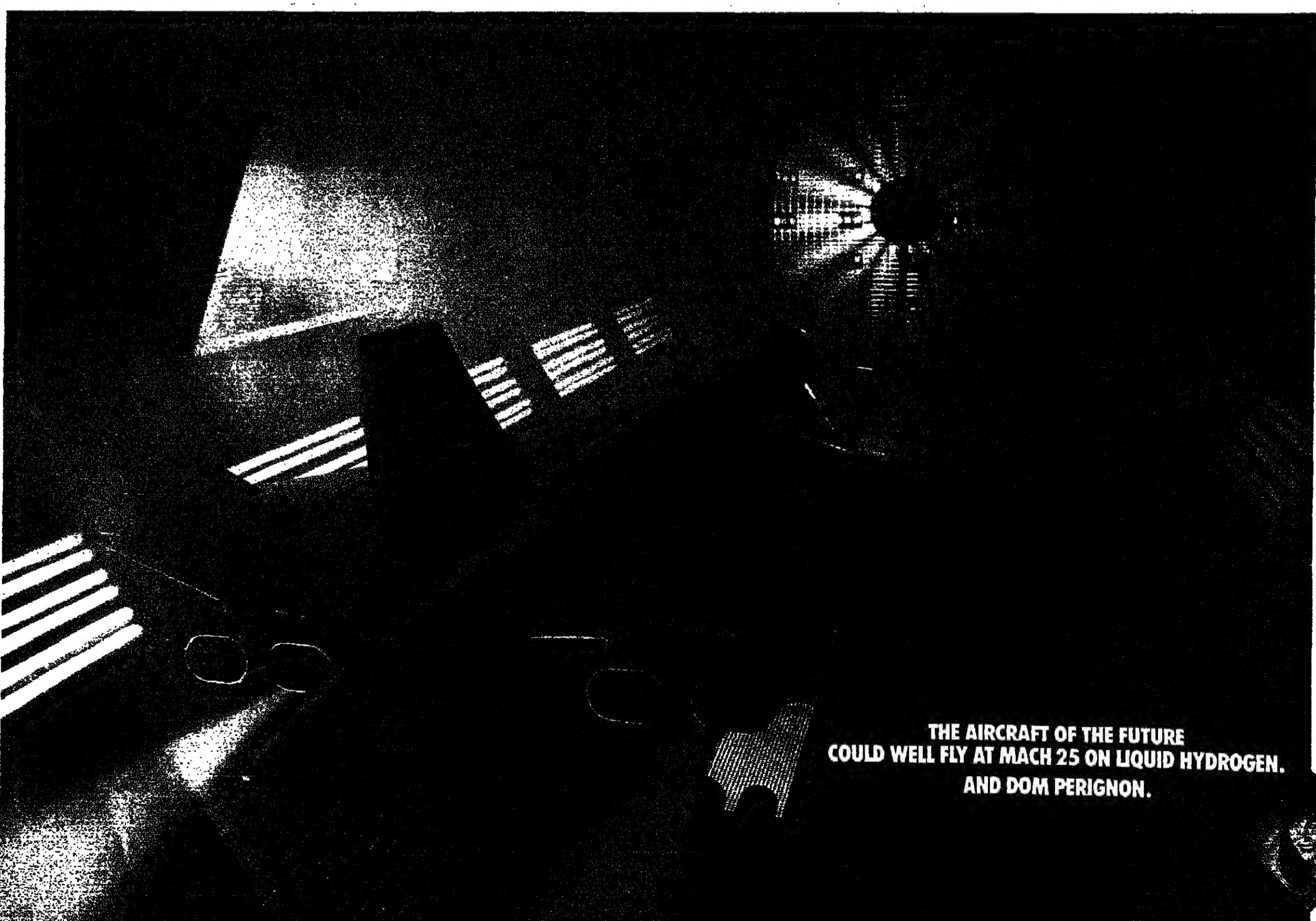
The protest reflected broad concerns in Goiânia, where residents were exposed to radiation after a scrap dealer, Devair Alves Ferreira, obtained the abandoned medical device, which contained cesium 137, and broke it open. His

wife, Mrs. Ferreira, handled the glowing material, which is highly radioactive, and their niece ate some of it.

The incident also confirmed that despite an ambitious nuclear energy program, Brazil has no permanent storage site for radioactive waste. Protests in the state of Pará have blocked a plan to store an estimated 1,000 drums filled with radioactive material in deep shafts at a remote army base.

Instead, the waste is being temporarily stored at an open site about 10 miles (16 kilometers) from Goiânia. Henrique Santillo, the governor of Goiás state, is spending weekends with his family at a vacation home less than half a mile away in an attempt to calm residents of Goiânia.

Although the cleanup of residential areas where the cesium was spread will take months, officials from the federally controlled Nuclear Energy Commission say the city is safe. However, they have said that only two-thirds of the radioactive material has been found.



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SINGAPORE AIRLINES

Neighbors Upset With U.S. Envoy To Pretoria

By William J. Broad
New York Times Service

JOHANNESBURG — South African neighbors have expressed their anger at the U.S. ambassador's visit to the city, saying that the visit was a sign of U.S. support for the apartheid regime. The neighbors said that the U.S. ambassador's visit was a sign of U.S. support for the apartheid regime, and that the U.S. should not be seen as supporting the regime. They said that the U.S. should not be seen as supporting the regime, and that the U.S. should not be seen as supporting the regime. They said that the U.S. should not be seen as supporting the regime, and that the U.S. should not be seen as supporting the regime.

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Neighbors Upset With U.S. Envoy To Pretoria

By William Claiborne

Washington Post Service

JOHANNESBURG — Residents of a conservative white suburb of Pretoria have threatened legal action against Edward J. Perkins, the first black U.S. ambassador to South Africa, over what they claim are noisy weekend parties at his official residence.

The South African Foreign Ministry said Tuesday that it was attempting to mediate the dispute, which has racial undertones because of the presence of black embassy staff members at social functions held at the official residence.

Black diplomats have to obtain special permission to live in suburbs reserved for whites under the apartheid laws.

The leader of the neighborhood opposition, Janice Farquharson, asserted that Mr. Perkins' residence had been converted into what amounted to a "country club."

On weekends, noise from the tennis court, pool and picnic area was "nerve-shattering," she said.

She said that on one occasion, a U.S. Marine Corps band had played loud Dixieland music during an entire Saturday afternoon.

The chairman of the Ratepayers Association of the affluent Waterkloof Ridge area of Pretoria, Piet Botjhal, also complained about "very jolly, noisy parties" at Mr. Perkins' residence.

Mr. Perkins arrived in South Africa in November 1986. He is regarded in the diplomatic community as one of the most recent and conservative ambassadors in South Africa.

A spokeswoman at the U.S. Embassy said that the complaints seemed to stem largely from construction noise during extensive remodeling of Mr. Perkins' residence and the construction of a security wall around it.

Tribal Homeland Resists Independence

By John D. Battersby

New York Times Service

KWAMHLANGA, South Africa — KwaNdebele, an impoverished tribal homeland of sprawling tin-roofed settlements, is being pushed toward an independence that almost no one here seems to want.

A dozen years ago, KwaNdebele consisted of little more than corn and cattle farms owned by whites. Then, in 1975, the government in Pretoria created its homeland for the Ndebele, who are related to the Zulus, by buying out the white farmers.

Ten years later, it transferred Moutse, an area of 120,000 inhabitants that had belonged to Lebowa, another homeland that is inhabited by a different ethnic group, to KwaNdebele.

Today KwaNdebele is seething with resistance, while Moutse has balked at its incorporation. "We will never accept that we are part of KwaNdebele," said Isaac Ditshego, the secretary of the Moutse Civil Association.

The homelands policy remains a key if controversial part of what South Africa's white-dominated government calls "grand apartheid," ostensibly granting self-determination and independence to black tribal groupings in South Africa. But critics see it as a device to absolve Pretoria of responsibility for the welfare and political rights of millions of black South Africans.

They argue that the government is removing black poverty and unemployment from the ma-

jo cities to remote rural areas seldom visited by South African whites or Western diplomats.

Lawyers and civil rights groups say the government is creating independent homelands to reduce the numbers of blacks who eventually will have to be accommodated in the South African political system.

An estimated 13 million of the country's 25 million blacks now live in the tribal homelands, which include the four nominally independent homelands and six semi-autonomous black states.

KwaNdebele is the smallest of these homelands. It lies about 80 miles (130 kilometers) northeast of Johannesburg.

Many of the people who live in KwaNdebele worry that independence will rob them of their South African citizenship, and with it their hopes of holding jobs in cities and towns in the parts of the country reserved for whites, as has happened to residents of other nominally independent areas such as Transkei and Bophuthatswana.

The Pretoria government has tried to create an infrastructure for KwaNdebele by building an imposing legislative building and soccer stadium at the new capital of KwaMafalanga.

Of those in KwaNdebele who have found work, nearly two-thirds live away from home, in dormitories or other lodgings at their jobs. The other workers, about 70,000, commute an average of five hours a day to jobs in the industrial heartland around Johannesburg.

KwaNdebele's population has increased from 50,000 in 1975 to an estimated 600,000 today, because it is relatively close to the metropolitan areas, where there is the hope of jobs.

KwaNdebele has a royal family, but many of its people feel they will be cut off from the 73-year-old paramount Ndebele chief, David Mapho, if the new leaders backed by Pretoria get full political power.

KwaNdebele's chief minister, Majosi Mahlangu, and two of his fellow ministers are facing criminal charges of assault filed in a South African court after young dissidents were abducted and tortured during demonstrations against independence last year.

Civil rights groups working in KwaNdebele say they have documented numerous cases of repression by policemen and rightist black vigilantes who support the new leadership.

There also are numerous charges of corruption. Civil rights workers said that pensions and taxi licenses were awarded by the KwaNdebele authorities in a way that favored those backing independence.

Most tribal leaders reversed their earlier support for independence after rioting in June resulted in the deaths of at least 160 people. However, Mr. Mahlangu insists that independence will go ahead.

Dissidents insist that any attempt to force independence on the people could precipitate a new round of civil war in KwaNdebele.

Indians Take Charge of a Bitter Tamil City

By Steven R. Weisman

New York Times Service

JAFFNA, Sri Lanka — An uncertain peace has come here after two weeks of bombings, shelling and house-to-house fighting. The streets are deserted, buildings are boarded up or bombed out, and Indian soldiers lie in prone firing positions at most intersections.

For the second time in less than three months, the Tamil city of Jaffna has been taken by the Indian Army, but the circumstances could not be more different.

In early August, days after the signing of an Indian-Sri Lankan accord meant to bring peace to the region, Indian peacekeeping troops were welcomed as saviors. Jaffna was filled with hope that civil war in Sri Lanka had come to an end and that ethnic Tamil guerrillas were ready to surrender their arms.

But this week, Indian troops came as conquerors, bent on crushing the Tamil guerrillas by force, and they are feared even by those who do not sympathize with the guerrillas.

For years, India has been sym-

thetic to the Tamil cause, permitting the guerrilla organization, the Liberation Tigers of Tamil Eelam, to use Indian territory for sanctuary, supplies, training and political operations.

But India turned against the Tamil guerrillas when they refused to accept the peace accord and settle for increased political autonomy in Tamil areas. Although most Tamils are Hindu and most of the island nation's Sinhalese majority is Buddhist, there are Christians in both groups.

Now the Tamil population in the Jaffna area looks on the Indians as the enemy, and Indian officials said Monday that their only hope of regaining their earlier image lay in restoring stability and bringing in food and medicine, along with a sense of protection.

"Once people start feeling that the Indian peacekeeping force is here to look after them, the hostility will go away," said Major General Amerjit Singh Kalkat, chief of operations for the Indian Southern Command.

Monday was the first day since the beginning of the Indian Army's siege on the Tamil separatist stronghold in Jaffna that reporters were permitted to visit downtown streets and talk to refugees.

Since the Tamil guerrillas have stepped up their fighting for an independent nation for Tamils in the last few years in northern and eastern Sri Lanka, the Sri Lankan Army and Air Force have frequently shelled and bombed parts of Jaffna.

By the time the Indian Army arrived in August much of the downtown area had been destroyed, so it was difficult to tell on Monday how much of the damage had occurred in the last two weeks. But since late August, many buildings seem to have been heavily scarred by bullets and bomb explosions.

Jaffna Hospital, which some reports said had been shattered by explosions, seemed to be intact. In one ward, female patients were crowded on rows of beds side by side, their arms, legs and heads heavily bandaged.

On Oct. 12, in the biggest battle of the two-week assault, Indian troops made a surprise landing by helicopter at Jaffna university, apparently hoping to capture the guerrilla leader, Velupillai Prabhakaran. Instead, the Tigers hit the attacking Indian soldiers with automatic weapons fire, killing more than 20 of them, the Indian authorities said.

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Vietnam's Party Chief Lends an Ear to Artists

By Barbara Crossette

New York Times Service

BANGKOK — A hundred leaders of Vietnam's literary and artistic establishment have apparently told the country's new Communist Party leader in blunt terms what they think is wrong with state-supported cultural endeavors.

In reply, the party leader, Nguyen Van Linh, exposed frank assessment at some of their complaints and made some startling revelations of his own, according to a partial transcript of the lively give-and-take broadcast by Hanoi's official radio.

Mr. Linh, who took office in December after what appears to have been a power struggle with the last of Ho Chi Minh's generation of leaders, said that he, too, had to remain on guard against hard-liners who demand rigid orthodoxy.

Mr. Linh, saying he had been "lacking vulnerability to write," acknowledged that he was the author of a new newspaper column, "Things That Must Be Done Im-

mediately," which has been the talk of Vietnam.

He then added: "Many people have welcomed and responded favorably to it, but there are also people who wonder why I was blackening the regime, and thought that this might be the way to start a cultural revolution." The reference was to the period of radicalism that gripped China from 1966 to 1976.

The two-day meeting, which Hanoi's domestic radio network said took place on Oct. 6 and 7, brought together writers, actors, film makers, musicians, sculptors, architects and other cultural leaders, according to a translation made by the British Broadcasting Corp.

Mr. Linh, who was dropped from the Politburo from 1982 to 1985, apparently for advocating a more open economy — also said he understood the artists' fears of "prohibitions and persecution."

"What you dread most," he said, "is something hovering somewhere in the air that you fear more than censorship."

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ARTS / LEISURE

On Sounding Like Yourself

By Mike Zwerin
International Herald Tribune

PARIS — David Liebman's press kit includes a brochure ("Liebman's music is easy to praise but hard to categorize"), clips, photos, transcriptions of his soprano saxophone solos and blurbs filed in a golden folder: "A hell of a reedman" (Billboard), "A leader and artist of integrity and independent direction" (Down Beat), "He knows the value of space and never gets carried away" (Leonard Feather).

He has received grants (National Endowment for the Arts), leads his own band (Quest), lectures (Eastman School of Music), has played with Chick Corea, Michael Franks and Elvin Jones, and appears on at least two seminal records: "On the Corner" by Miles Davis, and Mahavishnu John McLaughlin's "My Goals Beyond."

Liebman is a small, honorable man who prefers to record with companies he can identify with. OWL, with offices in Paris, has just released his excellent album "Homage to John Coltrane" (he is one of Trane's prime descendants). He has no contract with OWL, or with any of the other small, honorable outfits he records for.

He jokes that one of them makes records primarily to please the rich owner's girlfriends: "This is not a corporate situation. I become friends with these guys. They want to talk to me, not an agent. The idea of having an agent in jazz is ridiculous. What's an agent going to make? Fifteen percent of nothing is nothing. Isn't it better to pay the overweight for the drums or give the guys an extra 50 bucks so they can eat better?"

This young (41) elder statesman

deals with the vagaries of the jazz life with remarkable aplomb. "I wanted to make a record live from the Montmartre in Copenhagen. I spoke to a Danish company that has distribution, like, from here to the door. The guy said, 'I don't know if we can sell a lot of records.' I said, 'We're playing in this joint anyway. Record us, if you release it, give us a thousand apiece, whatever. If not, I'll pay your expenses, you give me the tape and I'll try to get rid of it somewhere.' Even if only 500 people listen to an album, at least you have chronicled your work at a certain point. Then you can move on."

"Musicians are confused now. They start thinking they're supposed to be making albums that sell, and this or that compromise would mean they could play for more people. The minute that sort of manipulative thinking comes in they're in trouble. We're only playing jazz for a minority and that's the way it's going to be."

"I moved to Stroudsburg, Pennsylvania, the Pocono Mountains, close enough to New York but not in it. I hardly work there anyway. New York has only the appearance of a lot of activity. Most of the clubs you see listed in the New Yorker just have duos. Rents have tripled, the four or five serious clubs still going can only afford to hire big names — Dizzy, Getz, whoever's hot. They charge \$100 a head and turn the house over three times a night to make their nut."

"That's the biggest change in jazz in 15 years. The clubs where we all learned how to play were like the saloons where Mozart learned how to write. They had a social purpose, we met there and listened to each other. No more salons. Musicians can no longer afford to go to clubs. Only tourists go, and only because they think somehow they're supposed to go. Going to a club now is like going to hear the Preservation Jazz Band in New Orleans."



David Liebman: "You have to pass down the tradition."

going out playing your horn because that's too much fun. They won't give you that."

"Sometimes it seems like everything's already been laid out and explored, all the combinations have been put together. But if you sit down and look at the history of your instrument and think about it — if you're clever with this music you can still come up with an individual way to play. You can sound like you. Isn't that the point of jazz? People listen to you and say, 'That's Liebman.'"

David Liebman: Barcelona, Oct. 29; Elah, Israel, Nov. 2, 3; Geneva, Nov. 7; Saarbrücken, West Germany, Nov. 13.

Splendid, Brisk 'Lie of the Mind'

By Sheridan Morley
International Herald Tribune

LONDON — Writing from New York 18 months ago, I said that Sam Shepard's "A Lie of the Mind" was in his own original four-hour production perhaps a little overlong, but that in there somewhere might be a marvelous play by the man who has long been the Eugene O'Neill of country and western life.

Seeing the play again at the Royal Court in Simon Curtis's splendidly brisk (a mere three hours) and sensitive staging, I am more than ever convinced that what we have here is a long day's journey into the popcorn cracker-barrel.

The story centers on Jake, who thinks he has beaten his wife to death, and Beth, who then recovers, and their two obsessive, loony back-



Charlton Heston and Gwen Watford in "A Man for All Seasons."

woods families. This is in a sense a ballad of love and loss, one that meanders through cowboy country looking for some sort of resolution but coming up only and forever against crashed cars and hospital beds and all the detritus of the American dream turned into nightmare.

Tighter, shorter and sharper than the off-Broadway staging, the Curtis production has Will Patton from the original American cast (though now playing Jake) alongside a strong local team headed by Miranda Richardson, Deborah Norton, Tony Haygarth, Paul McGann and an eerily miscast Geraldine McEwan, who together achieve a mythic gallery of mental, physical and romantic cripples at the frontier of a society pockmarked by sudden and random violence. Shepard may come out of O'Neill, but he comes by way of John Steinbeck and Tennessee Williams: His America is an acridly funny, suddenly tragic and ultimately screwed-up society of blue jeans and brain rot, where years of in-breeding have produced a "Deliverance" community of mentally damaged farmers often uncertain whether or not they might be their own parents.

It is just, terrifyingly, possible that after Arthur Miller (and with the apparent retirement of Edward Albee) Shepard is now the greatest working American dramatist. Certainly he is the greatest poet of his backwoods motifs.

This production confirms Curtis as the best young director of his generation, one willing to take on not only Shepard's play but also his American staging of it and get them both into some kind of coherent shape for overseas audiences.

On the Thames Embankment the Playhouse has been returned to stage life after 30 years as a radio studio.

The sad news is that it comes back with "Girlfriends," a new musical that is a major disappointment, not least because it is the work of Howard Goodall who, a couple of years ago with "The Hired Man" showed that there was an English choral tradition of small-scale native scores firmly rooted in their regional soil and well worth pursuing at a time of multinational, trans-Atlantic scenic blockbusters.

But what "The Hired Man" also had was a book by Melvyn Bragg that gave it a coherent narrative drive. "Girlfriends" has been cobbled together by Goodall and his director John Rellack with a breathtaking lack of plot, and as a

result we are left with the outline of a show but not a lot else. We are on a Bomber Command station somewhere in England in 1941 that is almost exclusively staffed by the Women's Auxiliary Air Force. Such story as there is centers on a stolen parachute to be used for making underwear, and the unfortunate fact that the sexiest girl on the station (Hazel O'Connor) has a black-widow reputation because her pilot lovers keep getting shot down in flames. We only meet one of these (David Easter), while an otherwise all-female cast marches around a lot in increasingly desperate search of the gags or characterizations with which Neil Simon once used to bring the Bilko barracks room to life.

At the Savoy, Charlton Heston has joined Frank Hauser's Chichester production of "A Man for All Seasons" and plays Sir Thomas More in a succession of whitening wigs that are vastly more dramatic than anything going on beneath them.

When, a quarter-century ago, Paul Scofield created Robert Bolt's chancellor on stage and screen, his magical poetry and sense of moral isolation convinced us of a great play; Heston

plays it more as if he only recently descended from Mount Rushmore, and the result is that we are plunged back into an MGM costume drama of life with the Tudors.

Roy Kinnear manages to raise a few laughs by conceiving the all-purpose common man narrator as a mix of Toby Belch and Uriah Heep, while Benjamin Whitrow is superlatively and silyly sinister Thomas Cromwell.

The rest of the evening is woefully undercast, and it no longer seems to much matter whether More betrays his conscience by approving the Anne Boleyn marriage or goes tragically to meet his maker. Where Scofield managed to turn this into a major internal moral debate, Heston reduces it to a minor power struggle in the back corridors of Hampton Court.

The Royal theatre company brings back to London for the first time since 1953 a drama heralded then by Kenneth Tynan as the best first play of its generation. Either he was wrong, or time has been unduly savage to Graham Greene's "The Living Room" which, though it perfectly represents the author's twin obsessions with guilt and Catholicism, is a remarkably verbose and uneventful script not much helped by a production that treats the end of this particular affair as a minor Rattigan domestic tiff rather than a poetic tragedy of suicide and retribution.

Greene brings a young girl (the part that made a star of Dorothy Tutin, played now with an awkward kind of angular intensity by Katharine Schlesinger) to live with her two eccentric aunts and their brother, a crippled priest. In a derelict drawing room from which all other human life has been barred, the girl's problem is that, recently orphaned, she is now sleeping with a married psychologist in a state of mortal sin, and deep in Greeneland we are therefore faced with the impossibility of love ever triumphing over guilt.

The symbols in the "The Living Room" clash as loudly as Eliot's in "The Cocktail Party," and in a wasteland of rambling high-church philosophy there are random moments of marvelous writing about the nature of extramarital guilt and tortured innocence.

But neither Paul Daneman as the wheelchair priest, nor Judy Campbell and Dulcie Gray as his dotty sisters, nor even Peter Blythe as the anguished psychologist can in Bryan Forbes's museum-piece production make us believe in this as anything much more than a religious debate from which all human life has departed long before the girl's own needless death.

And finally, fans of the television comedian Russ Abbot might be glad to find him on stage at the Lyric doing funny walks and random impressions: fans of the playwright Will Russell ("Blood Brothers," "Educating Rita") will however be disappointed that "One for the Road" is an uncharacteristically inept suburban comedy that has been around for 11 years and only now reaches London to showcase Abbot at his most irrelevant.

The story of a man in mid-life crisis trying to escape domestic strangulation in a housing project is at best thinly familiar, and Abbot's solo comic turns only serve to remind us that there is in the end hardly a play here at all.

DOONESBURY

DINK, I MAKE AN INVESTMENT, I EXPECT TO SEE A RETURN. HOW COME I DON'T SEE NO RETURN FROM YOUR ACTION?

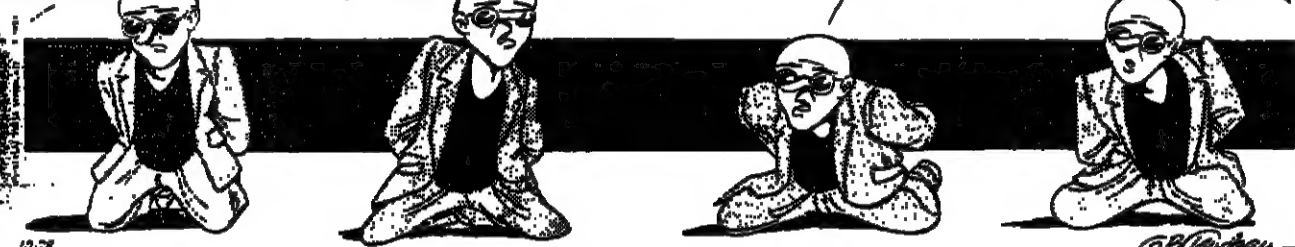
WHAT ACTION? I NEVER DIPPED INTO THE SLUSH FUND! CASEY DIED BEFORE GIVING ME THE NUMBER. BY THEN, YOUR LOAN HAD GONE TO EXPENSES.

EXPENSES, HUH? WHO CONTROLLED THE OUTLAY?

CASEY, OF COURSE. IT WAS HIS PROGRAM.

CASEY, YOU GOT A BODY?

WELL, NO, BUT... BUT... NOW, WHAT A BILLY OLD GUY, EH, SIRT?



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ECONOMIC SCENE

**Blame It on the Tax Man,
Some Say After Stocks' Fall**

By GARY KLOTT
New York Times Service

WASHINGTON — As Wall Street and Washington pundits try to identify the origins of the stock market cataclysm, some fingers are being pointed at taxes. Did the tax increase proposed by congressional tax writers just before the market went wild unleash the selling frenzy? Was the sweeping Tax Reform Act of 1986 responsible? Did a tax proposal in West Germany, blamed for a rise in interest rates there, help ignite the global selloff of stocks?

Although computer trading programs and concerns about interest rates, trade deficits and budget deficits are mentioned most often as culprits, taxes are not an unlikely suspect. After all, tax policies frequently get blamed for whatever may ail the economy. That is why the tax laws are changed so often.

Trying to blame tax developments for Wall Street's tidal wave overstates the influence of taxes on the economy and the markets — at least in the mainstream view. But can taxes be completely exonerated?

Certainly the timing of the congressional tax-increase proposals suggests they may have been a factor. The stock market began its steep decline just as tax writers on Capitol Hill were piecing together their \$12 billion tax packages. And the 508-point rout of the Dow Jones industrial average occurred the Monday after the House and Senate committees had completed their tax plans.

Treasury Secretary James A. Baker 3d did not think it was a coincidence. The day before the market's record drop, he said the congressional tax proposals were causing market turmoil.

Strengthening the corporate minimum tax and making corporate takeovers more costly, he said, "make business extremely nervous." Senator Lloyd Bentsen, the Texas Democrat who heads the Finance Committee, called the Baker charges outrageous.

But the tax legislation did have an impact. Takeover stocks were immediately pummeled after the House Ways and Means Committee included in its tax package various provisions repealing many of the tax breaks related to corporate acquisitions.

Congressional proposals may have had an impact, but weren't main cause.

THE PROPOSALS might even have helped drag down stocks other than takeover stocks. For buried in the price of many stocks is the dream of shareholders that some big takeover offer will double the value of their shares.

But it is unlikely that the House or Senate tax proposals could have been the main cause of the \$500 billion devaluation of corporate America that occurred on Oct. 19.

The 1986 tax law could hardly be considered a prime suspect. Most of the law's provisions — including the increase in long-term capital gains rates — took effect at the beginning of this year, just before the stock market began its breathtaking climb.

Nor can year-end tax strategies to take advantage of the advent of the new tax system be held responsible. In fact, the new tax law may have helped ease concerns over the federal deficit. The smaller deficit expected this year is partly attributable to a one-time surge in tax revenues, triggered when investors sold investments late last year before long-term capital gains rates went up.

One of the closest links that can be drawn between the stock market's slide and tax policy developments is in West Germany. Investor nervousness over interest rates has been cited as a leading cause of Wall Street's panic. And those jitters were sparked partly by interest-rate increases in West Germany.

But the rise in German rates was not due solely to Bundesbank actions. The upward pressure stemmed partly from investor reaction to the government's plan to impose a 10 percent withholding tax on interest income. When news of the plan leaked out Oct. 9, German stock prices fell and bond yields surged.

But the withholding tax is not likely to be viewed by historians as the Mrs. O'Leary's cow of the 1987 stock market conflagration.

At Mediobanca, Fresh Air in the 'Good Salon'

Plan Widens Power Elite

By Roberto Suro
New York Times Service

ROME — Since Italy rebuilt after World War II, Mediobanca SpA, the nation's most powerful merchant bank, has been known as *il salotto buono*, the good salon. Although the government has held a controlling interest in the bank, its boardroom has served as a place for Italy's top capitalists to work out deals and settle disputes among themselves.

Now plans have been announced to modernize this uniquely Italian institution by way of a major privatization program. Experts predict that the plans could alter relations between Italy's public and private sector by significantly reducing the government's presence in a finance house of wide-ranging impact.

The Mediobanca proposal also is being described as a reflection of the recent changes in Italian finance. Cash-rich industrial groups have entered the country's capital markets, diluting the power of the banking establishment.

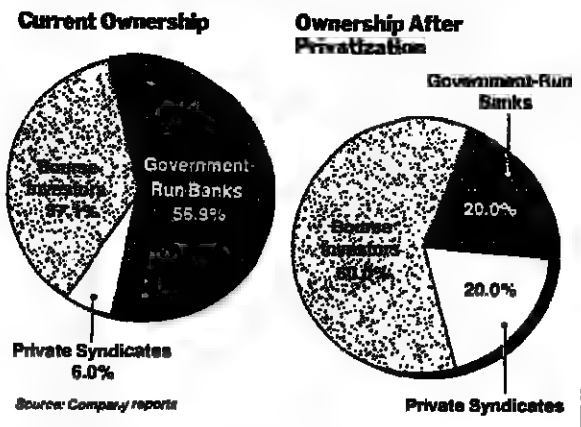
Under a plan approved Oct. 13 by the board of IRI, Italy's giant state holding company, and subsequently by various government committees, the government would sell more than \$1 billion of Mediobanca stock, giving up its majority stake in the bank and putting 60 percent of the shares in the hands of small investors on the Milan Bourse.

The recent drop in share prices on the Milan exchange, along with other world stock markets, does not appear to have affected the plan; the public stock offering is not expected to take place until next year.

The nucleus of executives inside the good salon would be expanded to include Italy's fresh crop of successful entrepreneurs, and their stake would be increased from 6 percent to 20 percent. The government would hold the remaining 20 percent. In a practical sense, control would be shared equally among select representatives of the public and private sectors.

The sale of Mediobanca stock, which must be approved by the Italian Parliament, falls under a wide-ranging privatization effort that has been conducted for almost five years by IRI, the Istituto per la Ricostruzione Industriale. A heated debate is expected: This sale, more than any in the past, has the potential to affect the balance of power in Italian business.

Shifting Ownership of Mediobanca



Romano Prodi, chairman of the state holding company IRI and a former economics professor, says that change is needed at Mediobanca to "democratize" Italian finance.

Luigi Spaventa, an economist at the University of Rome, agreed that Mediobanca would continue to play a key role after privatization.

"Until recently it kept the peace among the major industrial groups," he said. "By allowing new faces into 'il salotto buono,' it will now be able to perform that function better than it has in the last few years."

Mediobanca's power does not derive from its earnings. Its profit fell 35 percent in the fiscal year ended June 30, to 113 billion lire (\$8.3 million at current rates).

Nor does its influence depend on its size. Market capitalization at the end of 1986 was 4.1 trillion lire. Instead, its power comes from strategic minority holdings in about a dozen of Italy's most important industrial and financial groups.

For almost 40 years Mediobanca was involved in virtually every important deal that took place in this country. It could deliver either a blessing or a veto.

— Alberto Mucci, a finance expert

IRI, he said repeatedly, that a fundamental change at Mediobanca is essential to "democratize" Italian finance. A former economics professor, Mr. Prodi is highly respected in Italy for bringing IRI, a conglomerate of 1,000 highly diverse companies, back to profitability this year for the first time since 1973.

Since taking over IRI in 1982, Mr. Prodi has argued for the benefits of competition in an economy where power remains remarkably concentrated. Despite the rapid entry of new issues and new traders on the Milan Bourse last year, 51 percent of all



The New York Times

GM Attributes Higher Profit to Accounting Shift

Reuters

DETROIT — General Motors Corp. said Tuesday that its third-quarter net profit more than doubled to \$812 million from \$345 million a year earlier because of a major accounting change.

The No. 1 U.S. car maker said that the change in the way it writes off plants and equipment increased pretax income in the quarter by \$894 million.

But GM said that its worldwide revenue for the quarter eased to \$22.6 billion from \$22.8 billion a year before.

Profit per share rose to \$2.28 from 80 cents, with the accounting change adding \$1.82 a share.

The accounting move, expected by analysts, came from adoption of more realistic assumptions regarding the useful lives of GM's plants and equipment and special tools.

GM, which has steadily lost market share over the last year, said pretax operating income in the quarter totaled \$357 million after accounting for the \$894 million gain, compared with a restated loss of \$352 million a year before.

GM said that higher earnings from nonconsolidated subsidiaries and a \$179.5 million tax credit increased its income.

On Monday, the company announced that profits at three of its major operating units — General Motors Acceptance Corp., Electronic Data Systems Corp. and GM Hughes Electronics Corp. — rose from 3.6 to 16 percent.

GM said its worldwide factory sales in the quarter fell about 10 percent from a year before, to 1.64 million units from 1.82 million.

Low volume cut earnings for the period by the equivalent of \$1.79 a share, which was partly offset by "improved operating performance," the company said.

The company said operating costs had been reduced by \$2.6 billion through the first nine months of 1987 in line with its plan

to cut overhead costs by \$10 billion by the end of 1990.

It said that it has targeted further savings of about \$4 billion in 1988, which would put it 70 percent of the way toward the cost-reduction goal.

Bonn Surplus In Trade Up In September

Reuters

BONN — West Germany's monthly trade surplus rose sharply in September to 11.5 billion Deutsche marks (\$6.47 billion), the second-highest level ever, from 6.5 billion DM in August, the Federal Statistics Office said Tuesday.

The figure, which compared with a surplus of 10.4 billion DM in September 1986, was in line with analysts' expectations.

Economists said that the figures, which offered further evidence of a chronic imbalance in world trade, were likely to increase pressure on Bonn to accept a weaker dollar. The dollar, which traded above 1.81 DM last week, slipped to six and a half-year lows in late European trading, touching 1.76 DM.

West German exports leaped 27 percent in September, outstripping a 16 percent rise in imports and indicating that exporters were coping well with current dollar levels.

Exports totaled 45.79 billion DM, up 3.1 percent from September 1986, while imports amounted to 34.29 billion DM, up 0.7 percent from a year earlier.

U.S. Durable Orders Rise

Orders to U.S. factories for durable goods rose 1.1 percent in September, the first increase since June, the Commerce Department reported Tuesday, according to an Associated Press dispatch from Washington. The department said orders for durable goods, items expected to last three or more years, climbed to \$107.8 billion last month.

Currency Rates

Currency	Oct. 27	Oct. 26	Oct. 25
American	1.0000	1.0000	1.0000
British	1.6450	1.6450	1.6450
French	6.5450	6.5450	6.5450
German	1.8150	1.8150	1.8150
Italian	1.3600	1.3600	1.3600
Japanese	163.50	163.50	163.50
Swiss	1.4800	1.4800	1.4800
Spanish	166.36	166.36	166.36
Thai	50.48	50.48	50.48
West German	1.8150	1.8150	1.8150
Yen	163.50	163.50	163.50

Source: Reuters, Bank of Tokyo, and other sources. Oct. 27 rates are for New York close. Oct. 26 rates are for London close. Oct. 25 rates are for Frankfurt close.

Currency	Oct. 27	Oct. 26	Oct. 25
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Japanese	163.50	163.50	163.50
Swiss	1.4800	1.4800	1.4800
Spanish	166.36	166.36	166.36
Thai	50.48	50.48	50.48
West German	1.8150	1.8150	1.8150
Yen	163.50	163.50	163.50

Source: Reuters, Bank of Tokyo, and other sources. Oct. 27 rates are for New York close. Oct. 26 rates are for London close. Oct. 25 rates are for Frankfurt close.

Interest Rates

Currency	Oct. 27	Oct. 26	Oct. 25
American	1.0000	1.0000	1.0000
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Japanese	163.50	163.50	163.50
Swiss	1.4800	1.4800	1.4800
Spanish	166.36	166.36	166.36
Thai	50.48	50.48	50.48
West German	1.8150	1.8150	1.8150
Yen	163.50	163.50	163.50

Source: Reuters, Bank of Tokyo, and other sources. Oct. 27 rates are for New York close. Oct. 26 rates are for London close. Oct. 25 rates are for Frankfurt close.

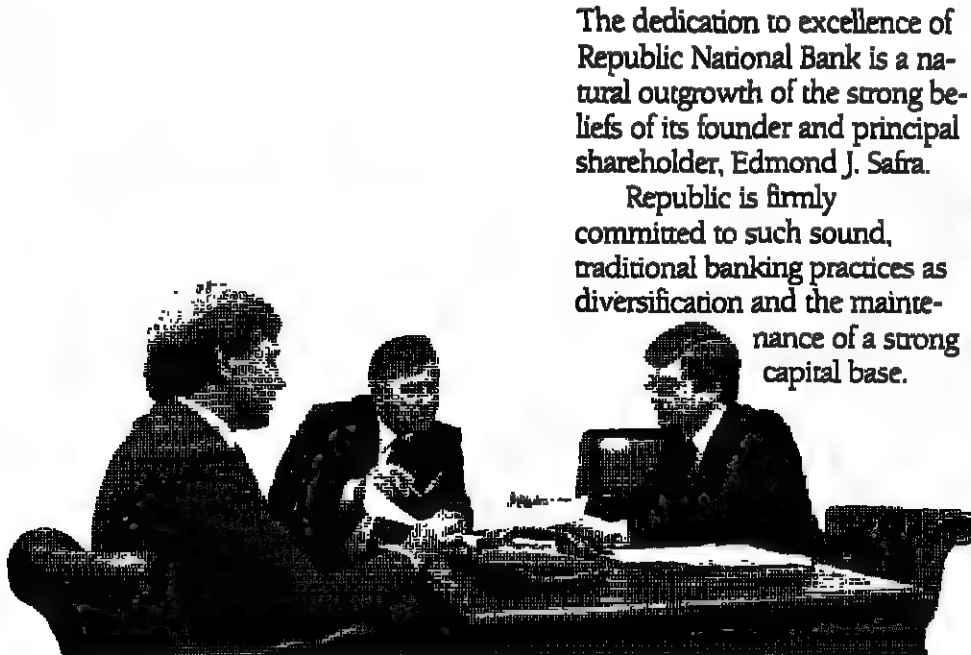
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Yen	163.50	163.50	163.50

Source: Reuters, Bank of Tokyo, and other sources. Oct. 27 rates are for New York close. Oct. 26 rates are for London close. Oct. 25 rates are for Frankfurt close.

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FIGURES AS AT DECEMBER 31, 1986:
TOTAL ASSETS:
US \$168 billion
SHAREHOLDERS' EQUITY:
US \$16 billion

[illegible]

Tokyo Rallies, Europe Firms

London Index Seesaws, Ends Up 19 Points

Compiled by Our Staff From Dispatches
Prices on European stock exchanges rose Tuesday on the back of a recovery in Asian markets. But the gains were whittled down in late trading amid worry about the U.S. economy, a widening of West Germany's trade surplus and a huge British share issue.

In London, the 100-share Financial Times-Stock Exchange index closed at 1,703.30, a gain of 19.20 points or 1.14 percent.

After plunging 6.2 percent Monday, prices on the London Stock Exchange seesawed throughout the day amid uncertainty over whether the British government would go ahead with a £7.2 billion (\$12 billion) issue of shares in British Petroleum Co.

The FTSE index, which fell 111.1 points Monday, opened 46.6 points higher at 1,730.7. It was the first opening gain in the index since a record 142.2 point initial advance a week ago, on Oct. 21.

By shortly after noon, the index had sunk 7 points below Monday's close. Stocks advanced again after an early 80-point surge on Wall Street, but dealers seemed somewhat unimpressed by the U.S. rally and prices quickly began to retrace their steps, dealers said.

Chancellor of the Exchequer Nigel Lawson said during the afternoon that he would decide by Thursday whether to go ahead with the BP issue.

In Paris, the main Bourse indicator climbed just 1.38 percent after being 4 percent ahead earlier in the day. Dealers said that Wall Street's opening advance was too sudden and had not inspired confidence.

Prime Minister Jacques Chirac vowed to stick to his government's privatization strategy despite the crash on stock markets. Trading was very speculative and short-term, with no underlying trend. Shortly before the close, advances outnumbered declines by a 12-7 ratio, with most blue chips ending firmer but off the day's highs.

In Frankfurt, share prices ended higher on the strength of Tokyo's advance but off the best levels of the day in nervous trading. The Commerzbank index of 60 leading shares, calculated at midsession, was up 17 points to 1,586.20, a gain of 1.1 percent.

The index plunged Monday by 91.50 points or 5.8 percent to a two-year low of 1,569.20. (Reuters, AP)



TOKYO BOUNCES BACK — Office workers passing a display of the gain on the Nikkei stock average. It closed 632.4 points higher Tuesday after Monday's fall.

Nikkei Rises By 2.85% in Heavy Trading

Agence France-Press
TOKYO — The Tokyo Stock Exchange staged a sharp rally on Tuesday, shrugging off an overnight decline on Wall Street and persistent selling pressure from foreign investors.

The market posted its third-largest daily gain, a day after its third-largest daily loss.

Market and company sources said institutional investors had stepped up buying of stocks after the government asked them to support the market.

The most widely watched indicator, the Nikkei average of 225 selected shares, recovered 632.40 yen, to close at 22,834.96 yen. That represented a gain of 2.85 percent.

On Monday, the index registered a loss of 1,096.22 yen. The average fell by 3,836.48 yen on Oct. 20, and 1,203.23 yen on Friday.

Trading was heavy on Tuesday, with volume of about 939 million shares, against about 665 million traded on Monday.

Wall Street's second-largest plunge on Monday led to a weak start in Tokyo as foreign investors, particularly those based in Hong Kong, continued active selling, market dealers said.

The Nikkei average lost 52.22 in the first 15 minutes of trading, but prices recovered before midday when trust funds and other institutional investors stepped up buying, especially of high-tech issues and steels, the sources said.

There were reports that the Finance Ministry had summoned representatives of life insurance companies and other institutional investors and asked them to buy up the market, the dealers said.

The ministry declined to comment on the report.

But one dealer at Sumitomo Trust & Banking Co., one of the institutions reportedly called in, said, "The ministry has asked the institutional investors to do something about the market from further plummeting as private investors' cash reserve is very limited."

He said the ministry had asked for help as the global stock plunge "must be stopped somewhere and Tokyo could do that job."

Market sources said others asked to help included Yasuda Trust & Banking Co., Mitsubishi Trust & Banking Corp. and Asahi Mutual Life Insurance Co.

Hawke Appeals for Calm As Stock Loss Passes 40%

Compiled by Our Staff From Dispatches
CANBERRA, Australia — Prime Minister Bob Hawke appealed to the business community on Tuesday not to panic as prices plummeted a further 6.4 percent on the Sydney Stock Exchange.

More than 40 percent of the equity value of the exchange has been wiped out since last Tuesday, the biggest percentage loss of any world market.

Sydney's All Ordinaries Index, which plunged 6.7 percent on Monday, fell another 91.2 points Tuesday to close at 1,323.1.

"What's happening here is not a product of an Australian situation," Mr. Hawke said. "Our economic fundamentals are in good shape."

"In the end it's got to be a question of the intelligence of the business community," he said.

Many brokers said that big entrepreneurs and gold miners were the major victims of Tuesday's selling spree.

Elsewhere in the Pacific region, the stock markets of Hong Kong and Tokyo broke out of the downward spiral on Tuesday, but Singapore continued to fall and New Zealand suffered its second-largest drop.

In Singapore, share prices lost 53.95 points, or almost 6 percent of their value, within 75 minutes of the opening.

The Straits Times Index closed 46.95 points, or 5.13 percent, lower at 864.28. The index had fallen 5 percent on Monday.

In New Zealand, investors slashed the equivalent of more than \$2 billion from share values.

The Barclay's Index, measuring the country's top 40 stocks, plunged 321 points to end at 2,578, shaving 9.3 percent off its value.

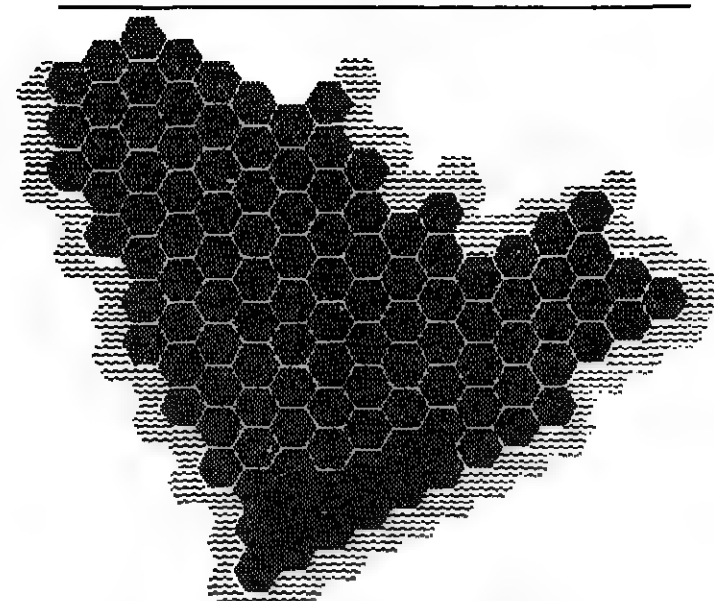
Nearly one third of the market's value has been slashed in 10 days. (AFP, Reuters)

Nomura to Enter U.K. Gilts

Reuters
LONDON — Nomura International Ltd., a subsidiary of Nomura Securities Co., has applied for a license as a market maker in the British government bonds known as gilts, a spokesman said Tuesday.

The move comes at a time when many market makers in gilts have been forced to reduce their operations because of stiff competition since the deregulation of London financial markets a year ago.

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THE ROYAL MINT



CURRENCY MARKETS

Dollar Hits 7-Year Low Against Mark On Bonn Surplus, Doubts on Support

Compiled by Our Staff From Dispatches
NEW YORK — The dollar closed sharply lower Tuesday, tumbling to its lowest level against the Deutsche mark in more than seven years amid speculation that major central banks will not aggressively defend the U.S. currency, dealers said.

The dealers also cited worry over the U.S. trade deficit and doubts that policymakers in Washington will significantly trim the budget shortfall.

"The dollar is heading lower over the medium term," said Axel Coym of Westpac Banking Corp.

It fell as low as 1.7540 DM in New York before recovering somewhat to close at 1.7575 DM, still down from 1.7785 DM at Monday's close.

Last week, the dollar was trading at about 1.81 DM.

The dollar also tumbled Tuesday to 140.85 Japanese yen from 142.35 on Monday, to 5.8885 Swiss francs from 5.9500 and to 1.4475 British pounds from 1.4655. It lost ground against the British pound, which strengthened to 1.7104 from 1.6885.

Dealers said that a report that the West German trade surplus widened in September also helped boost the mark against the dollar.

The dollar's fall through 1.7650 DM, a key level for many technically oriented traders, psychologically contributed to its overall decline.

A test of that level was expected to trigger purchases of dollars by major central banks, dealers said.

Currency	12 Month High	12 Month Low
Deutsche mark	1.7400	1.7400
Japanese yen	142.35	142.35
Swiss franc	5.9500	5.9500
British pound	1.4655	1.4655

Source: Reuters

but no central bank buying immediately surfaced.

Some dealers, however, said the Fed may have bought dollars in the foreign exchange markets as the U.S. currency plummeted against the mark.

"It sure looked like the Fed was in the dollar went like a rocket to 1.7590 from 1.7560," one dealer said.

The Fed, which is said to be part of an accord by some major central banks to keep the dollar within trading ranges on exchange markets, does not comment on its market activities.

In Europe, there were no reports of intervention. Dealers said that the dollar came under pressure as traders reasoned that the authorities were prepared to let the dollar fall.

Currency dealers said they believed that, with stock markets in chaos, governments want to prevent a panic flight out of the dollar, but may favor it sliding a little to alleviate the big U.S. merchandise trade deficit.

In London, the dollar closed at 1.7630 DM, down from 1.7760 on Monday. The dollar closed at 141.50 yen, down from 142.25; at 1.4540 Swiss francs, down from

1.4635, and at 5.9050 French francs, down from 5.9525.

The U.S. currency also was lower against the pound, which closed at \$1.6965, against \$1.6875 on Monday.

London dealers said they were not predicting a dollar collapse but one senior trader said he expected the dollar to be down to 1.65 DM by the end of the year.

Frankfurt dealers said they had the impression that the West German central bank, the Bundesbank, might be ready to accept an orderly fall in the value of the dollar.

The West German trade surplus of 11.5 billion DM (\$6.47 billion) in September, up from 6.5 billion DM in August, was the second-highest on record.

The figure, which compared with a surplus of 10.4 billion DM in September 1986, was in line with analysts' expectations.

Economists said the trade figures could increase pressure on Bonn to tolerate a weaker dollar so that the appreciation of the mark will brake the strong flow of West German exports.

"This could mean that U.S. pressure for a dollar decline will increase," said Ulrich Wittmann at Bank in Liechtenstein's office in Frankfurt.

Earlier in Europe, the dollar was fixed in Frankfurt at 1.764 DM, up from 1.7692 on Monday.

It was fixed in Paris at 5.9465 French francs, up from 5.9180.

In Zurich, the dollar closed at 1.4620 Swiss francs, up from 1.4598 on Monday.

(Reuters, UPI)

Peru Devalues Inti by 20.55%

Reuters

LIMA — Peru's superintendency of banks announced Tuesday a 20.55 percent devaluation in the exchange rate for the currency, the inti, against the U.S. dollar. The move was made effective from the close of business on Monday.

The devaluation from 15.89 to 20 intis to the dollar followed a central bank move to harmonize rates for various imports and exports, which are set at multiples of the official rate.

The inti price to be paid for hard currency earnings from minerals and hydrocarbons was fixed at 125 percent of the official rate; other traditional exports would earn 140 percent. Before, there were at least six exchange rates for exports.

G-7: U.S. Move Awaited

(Continued from Page 1)

consistent" with what was agreed to in the Louvre accord.

This official said there would be considerable resistance to recalibrating the currency agreement because the 40-percent decline of the dollar since early 1985 "has barely made a dent" in reducing the U.S. merchandise trade deficit. A further small adjustment would serve no useful purpose, he said.

The trade deficit, he said, stems from other problems—notably the budget deficit—and realigning the dollar at this point "would be irrelevant and risk sending the wrong signal to markets."

Saudi King Affirms Opposition to Oil-Price Rise

By Youssef M. Ibrahim
New York Times Service

PARIS — In a message partly intended to calm turbulent financial markets, King Fahd of Saudi Arabia has affirmed his strong opposition to any rise in oil prices above \$18 a barrel at least until the end of 1988 and possibly beyond.

The king's remarks to a session of his cabinet ministers late Monday night represented the strongest commitment yet from the world's largest oil exporter to a moderate oil price policy.

But the addition of the king's name to these assertions made it certain that Saudi Arabia was unlikely to budge from this view.

Although the king did not make any reference to Iran, Saudi officials noted that the firm tone of his comments reflected Saudi anger at Iran and a determination to block Tehran's move to increase its revenues by raising oil prices, thus fueling its war effort against Iraq.

There was immediate support for the Saudi position from the United Arab Emirates, a close ally, and from Kuwait, whose oil export facilities were hit in a missile attack last week from the Iranian-occupied Fao Peninsula.

Outside observers said the Saudi king's statement served many purposes.

Joseph Stanislaw of the Cambridge Energy Research Associates in Paris said, "Given the panic and fears of a recession in the past few days, the worst thing to do is talk of raising oil prices."

The rising level of animosity between Iran and Kuwait, which is a close ally of Saudi Arabia, has only

economic development with a clear view and on solid basis."

The king's statement confirmed previous hints by his oil minister, Hisham Nazer, and other senior members of the Saudi royal family that the world's largest oil exporting nation was intent on a moderate oil price policy.

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HONG KONG: Chinese Aid Fuels Rally in Stocks

(Continued from Page 1)

in the underlying index, dealers said.

But the two distant months, November and December, were suspended for the morning session after opening at their downward limits.

The Hong Kong futures market is the world's second-most important after the United States.

"There will undoubtedly be some people who will fail, some individual brokers who will fail," said the Hong Kong government's financial secretary, Pier Jacobs.

"But our task today is to keep our markets functioning."

He said that 1 billion dollars would be provided by the Bank of China, Standard Chartered Bank and Hong Kong & Shanghai Banking Corp. The Bank of China deals mainly in foreign exchange and international settlements.

The Hong Kong government, Mr. Jacobs said, will funnel another 1 billion dollars into the futures exchange from its exchange fund.

The infusion follows a weekend support package of 2 billion dollars by the Hong Kong government and banks.

Mr. Jacobs said that the support package announced Tuesday "covered the impact of yesterday's unprecedented fall in the Hang Seng index."

"But he warned, 'Prudence dictates that a substantial operational margin should be attained to ensure the continuing function of the markets in the face of volatile world conditions.'"

Hang Seng index futures prices had plunged in hectic trading Monday, triggering the suspension of two contracts until Tuesday.

The contract expiring at the end of the month had tumbled 1,554 points to 1,975, exceeding the fall in the share index itself.

In Hong Kong, the value of each futures contract fluctuates by 50

dollars for each one-point movement in the actual index.

A trader who bought a single Hang Seng futures contract on Oct. 19 for a minimum deposit of 15,000 dollars faces margin calls to cover 77,000 dollars in potential losses.

Exchange officials said Tuesday that the futures exchange had suspended 45 firms from trading because they failed to pay margin calls.

Brokers working for those firms walked off the trading floor after being told they could not trade, the officials said.

Some brokers who left said they were refusing to meet the margin payments. "They're boycotting," said a broker at a Japanese futures trading house.

"They did it on purpose," the broker said. "It is true some of them have no money, but some of them just refuse to pay. They don't want to dish out their own capital" until "investors pay them."

Tuesday's OTC Prices

NASDAQ prices as of 2 p.m. New York time.

Via The Associated Press

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12 Month Low					
12 Month High					
12 Month Low					

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